

THE TRADE OF TO-MORROW

BY

ERNEST J. P. BENN

Author of "Trade as a Science"



JARROLD'S
PUBLISHERS (LONDON)
LIMITED
1917

X:5

E-

13396

AUTHOR'S NOTE.

A FRIEND, who has been good enough to read my manuscript, and whose judgment on these matters is better than mine, complains that this book gives the impression that I am interested only in material prosperity. I insist all through on the necessity for production, and appear to argue that the mere multiplication of *things* is in itself a measure of human progress.

This criticism, which is perfectly just, prompts me to insert this note, and to say that I should be sorry even to appear to believe that human development depended entirely, or even chiefly, upon material progress. I am fully conscious that right through this book I lay undue emphasis upon quantity, more production, an emphasis which I think is justified in view of the urgent need of the nation for the creation of wealth. It will, however, be obvious to the thoughtful reader that Trade Councils constituted in the way here suggested will give great opportunities for the promotion of the human, the artistic, and the quality sides of industry.

It will, further, be evident that such Councils

could settle the underlying problems of the labour difficulty, which the *Observer* calls a spiritual revolt. They would place the workman on an equal footing with the master in the supreme control of industry, while interfering in no way with the independence of either.

But having said so much, I do contend that there is a pressing need for greater attention to the sordid side of progress with which I deal in this book. There has in the past been far too much preaching of high ideals without regard to worldly needs, a fact which explains the comparative failure of all ethical appeals to the multitude. Social reformers of every kind would find better ground for their work if the material inadequacies of our present arrangements could be eliminated.

E. J. P. B.

8, BOUVERIE STREET, E.C.

July, 1917.

CONTENTS.

CHAPTER		PAGE
	AUTHOR'S NOTE - - -	5
I.	CONCLUSIONS - - -	9
II.	ADVICE TO RECONSTRUCTORS - -	19
III.	THE CASE FOR DEVOLUTION - -	28
IV.	THE OFFICIAL AND THE BUSINESS MAN	39
V.	"AUDACITY" IN TRADE - -	45
VI.	THE THIRD PARTNER - -	57
VII.	GETTING RID OF THE SHIBBOLETHS -	72
VIII.	THE OUTCRY FOR ORGANISATION -	79
IX.	DIFFERENT SCHEMES - -	89
X.	LABOUR - - -	99
XI.	ASSOCIATIONS OF TO-DAY - -	112
XII.	TRADE ORGANISATIONS ABROAD -	122
XIII.	THE BOARD OF TRADE AND THE MINISTRY OF INDUSTRY AND COM- MERCE - - -	133
XIV.	OUTPUT - - -	140
XV.	EDUCATION AND RESEARCH - -	155
XVI.	STATISTICS - - -	165
XVII.	FISCAL REFORM - - -	179
XVIII.	EXPORT - - -	189
XIX.	SUNDRY QUESTIONS - - -	202
XX.	A TRADE ELECTION - - -	206
XXI.	RECOMMENDATIONS - - -	222

The Trade of To-Morrow.

CHAPTER I.

CONCLUSIONS.

"Get a really new world."—LLOYD GEORGE.

FRANKLY, the subject to which I have the temerity to return is overwhelming. It is not one subject at all: it comprises a thousand separate subjects. Every point in it is full of controversy, and little that one can say has any hope of finding general agreement.

Yet my mission is a very simple one. It can be expressed in a sentence. It is to plead for the organisation of the trades of this country in such a way that the three parties interested—(1) The State, (2) the workman, (3) the capitalist—may be able together to develop them to their fullest extent.

The first question which arises is this: Why bother to organise trade at all? We have done very well in the past, and why not leave things alone?

There are many reasons why improvements must

be made, some of them immediate and passing, others fundamental and more important.

Among the former are such matters as :

Raising revenue ;

Repairing the wastage of war ;

Providing work for all upon demobilisation ; and

Foreign competition.

But among the fundamental and more important considerations to be reckoned with are these :—

The increasing needs of the population demand more goods, and the march of civilisation demands less work, and the two can only be secured by better arrangements.

It is one of our elementary duties to see that in our industrial scheme there is as little waste as possible either of material or effort.

Trade is a very large subject, far too complex for any one mind to grasp properly. It is a subject where one can very easily become lost in detail. The problems of trade cannot be solved by a few deputations to Ministers, or even by the hundreds of committees which the Government are reported to have appointed. They call for the establishment of powerful and permanent machinery, conceived upon a big plan. Industry should be admitted to a place in the Constitution.

There are 28,678 local authorities in the United Kingdom to attend to sewers, cemeteries, street lighting, and other such details. The control of our trade is surely worth at least as much attention. In these pages my object is to help

in promoting the organisation of our trades under the protection of the State.

In developing my argument for representative Trade Unions, Trade Associations, and Trade Councils, I shall refer to a variety of subjects, not in order to express any opinion about them or influence the discussion of them in any way, but simply, and I think this is, for the moment, more important, to show that they cannot be satisfactorily handled or discussed until our trades are made articulate, are given a corporate existence and a voice, which is not the case to-day.

In inviting attention, therefore, to such questions as output, foreign competition, tariffs, labour, wages, profits, exportation, economical production, or any of the numerous aspects of the trading problem, I do so, not to dogmatise upon them, but only to insist that these problems are not capable of solution by politicians or newspaper writers, and to emphasise the need for the creation of the proper authorities to deal with them.

The development of industry sounds simple enough, and is simple enough if suitable machinery is secured for the purpose. The problem is easiest in its broadest aspect: it is in the details that it becomes embarrassing. We decide to multiply by ten our output of shells, and a paper plan is made in a few minutes; but in practice it requires as many hotels, offices, and hutments as would make a respectable city, and a Defence of the Realm Act, and a series of Munition Acts to boot. Presently

we shall require to multiply our output of more peaceful commodities, and there will be no Acts to help us. What plan can we, therefore, adopt? What are the ways and means that are necessary to effect our object?

When the war is over we shall be faced with the necessity of raising to its highest point the productive capacity of the nation. That is a proposition which nobody will deny. Every citizen, worthy of the name, will require to feel assured that he or she is contributing the maximum possible to the relief and removal of the burdens which the war has put upon us. According as we arrange ourselves well or badly, so will the results of our individual efforts be great or small.

General statements of this kind are easy, and if the writing of platitudes and the expression of pious hopes could effect the salvation of the country and the Empire, then surely every Briton must feel perfectly happy and safe to-day. As, however, this is not the case, it becomes necessary to do something—and that is when the trouble begins. A thousand voices are endeavouring to explain at the same moment. Each voice has a message, each is worthy of a hearing, but among "the tumult and the shouting" all are ineffective.

In the endeavour to gain a hearing amid such a babel, I propose to adopt an unorthodox method of argument.

I start with my conclusions. These can be stated quite briefly and plainly, and when the reader has

studied the next few paragraphs he will have gathered the gist of all I have to say. The rest of the book is mere "chatter," "chatter," which I venture to hope many may find of interest, upon some of the thousands of issues raised by this enormous problem of trade, industry, and production.

The chatter is intended to lead the reader to think, as I do, that the subject is too complicated and the interests involved are too great for any Government to attempt to handle, and that the only thing the Government can do is to adopt a bold scheme of devolution. The control of industry must be delegated to authorities in each trade.

British trade is capable of indefinite expansion. This is impossible on 1914 lines and equally impossible on the lines that we have adopted since 1914, great central Government schemes run by officials. It depends upon a proper balancing of the various forces engaged, the workman, the capitalist, the State.

Throughout this book I constantly refer to three parties concerned with industry. The rough division into three is convenient, although it would be more correct to subdivide further and speak of (1) the consumer, (2) the nation, (3) the workman, (4) the salesman, (5) the management, (6) the employer, (7) the capitalist. All these parties require special classification and separate treatment in any finished scheme.

In the ordinary way some apology and explanation would be necessary for the production of two

books on the same subject within the period of a year. "Trade as a Science," while it covered, so far as the details of the subject are concerned, a different ground for the most part from this present volume, yet contained the same arguments and had the same purpose. But, having regard to the importance of the subject and also to certain developments which will be apparent to the reader in the writer's views and plans, there is perhaps sufficient excuse for this further intrusion into the debate.

Since the publication of "Trade as a Science," some scores of books have appeared, and numbers of schemes have been put forward in the effort to help along the reconstruction through which we are passing. It is no disparagement to any of these to say that most of them are concerned with what I regard as the details of the problem, and all serve to emphasise the view here advanced, that the only way for the nation to deal with the matter is to adopt some great scheme of decentralisation and set up in this way adequate machinery to undertake so enormous a task.

The following is, therefore, in bare rough outline the machinery which the present writer suggests as necessary.

(1) *A Minister of Commerce and Industry.*

A Minister of Commerce should be appointed for the purpose of fostering and facilitating the self-advancement of British Trade.

To ask for another Minister at a moment when we

are so overburdened with this type of functionary requires a very strong case, but that case is self-evident when it is remembered that in the whole crowd of statesmen who now look after our welfare there is not one who accepts any real responsibility for such matters as output, export, economical production, science in industry, or education as applied to trade.

The duties of the Minister of Commerce would be chiefly concerned with the setting up of Trade Councils within the different industries, and the regulation and assistance of these bodies when created.

(2) *Trade Councils.*

There should be created in connection with every industry a Trade Council to which the Government would delegate every question connected with that industry.

These Councils would relieve the Government of all details, in the same way that the County Councils undertake the detail work connected with their localities. They would be statutory bodies having a similar status to the County Councils. Powers should be conferred upon them from time to time by Act of Parliament or Orders in Council, placing in their hands necessary work as it arises, in exactly the same way that powers are now conferred upon local authorities as new needs come to light.

These Trade Councils should consist of elected representatives of the Trade Associations and the

Trade Unions, one-third of the members being drawn from each source, as explained below. The remaining third would be composed of the official element, representatives of Government departments, men of science, and nominees of other bodies having an interest in the trade.

(3) *An Industrial Franchise.*

The one weak spot apparent in all attempts to deal with trading matters is the absence of representative responsibility. This point will be argued later. It can be overcome by an extension of the franchise to cover trading interests. Every citizen now has the Parliamentary vote and the municipal vote, and he should be given in addition a trading or industrial vote. This vote would be available for use in connection with a Trade Union or a Trade Association. Thus each man and woman would have a direct voice in the three great branches of national administration: (a) Imperial Government, (b) Local Government, (c) Industrial Government.

(4) *The Trade Union.*

The introduction of a new electoral principle as explained above would give to every working man the right to be a voting member of some Trade Union, and the principle of compulsory membership of a union, over which labour has fought so strenuously in recent years, would thus receive a measure of acknowledgment. The unions themselves would

secure a semi-official status which need not in the least degree interfere with their independence. The Trade Union of an individual industry thus established upon a comprehensive and thoroughly representative basis, would elect periodically its share of the members of that industry's Trade Council.

(5) *The Trade Association.*

In exactly the same way as with the Trade Union, the Trade Association would receive a measure of State recognition, and every employer in a particular industry would have the right of membership or a right to vote in connection with the affairs of the association. This need not necessarily mean full membership of the association. The Trade Association could continue as at present to undertake special work which interested full subscribing members, but it would assume a larger responsibility towards the whole industry. The full body of electors in that industry would have the right to vote in the affairs of the association so far as they concerned public functions put upon that association. These associations would then elect their proportion of the members of the Trade Councils.

The creation of machinery on some such lines as these would provide the State for the first time with a means of ascertaining the views of the industry. It would also provide industry for the first time with a means of making its voice heard. It would remove from the sphere of politics dozens of questions which are domestic trade questions and not matters for

Imperial Parliament. It would enable the State, through its Minister of Commerce, to take an active interest in and a proper responsibility for the development of each industry. It would, in my judgment, give an impetus and a strength to trade and industry which is all that is necessary to enable it to meet the unprecedented burdens put upon the country by the war, and which must be met in the long run by the trading community.

This book is not a treatise on economics. The only argument in it is an argument for the admission of industry to a place in the Constitution and its organisation upon a representative basis. It comes into the class of propagandist literature and expresses the somewhat incoherent views of that peculiar creature commonly known as the "business man." It will probably create a condition of confusion in the mind of the reader, and in that way will serve one of its objects. If it helps to show how confused, complicated, and immense are the problems of industrial development, it will strengthen the argument for decentralisation, devolution, and delegation. It is for the economists and politicians to study and criticise these proposals.

CHAPTER II.

ADVICE TO RECONSTRUCTORS.

STARTING with the Reconstruction Committee of the Cabinet, there are literally hundreds of bodies debating and discussing the problems of reconstruction, and it may not, therefore, be out of place to put down a few of the leading considerations which all these people should have constantly before them, if their conclusions are to be of any value.

Some folk, especially those who have enjoyed a brief spell of authority—and these are tens of thousands—have become so used to war conditions and methods as to forget that this is the land of liberty. It is well to remind such that, when the needs of war are passed, this old country will not tolerate a continuation of anything in the nature of the numerous permits, controls, exemptions, licences, prohibitions, and badges, to which the ordinary civilian has willingly submitted since 1914.

In order to defeat Prussian militarism we have had to adopt most of the evil methods against which we are fighting. We are subject not only to military despotism, but to a far worse civil despotism, which,

nevertheless, we welcome as a means of winning the war. But if all the little Jacks-in-office who now control us imagine that their power will last when the war is over, they are mistaken. The nation has had enough forms to fill up and enough returns to make to last it for many years to come.

Most of the new ministries, which have sprung up like mushrooms, must come to an end when the transient need has passed. A cursory glance at the construction of these bodies is sufficient to prove this. The Prime Minister appoints some well-known man as, let us say, Minister of Building. Fifty leading architects and builders—recognised experts—immediately offer their services. An organisation has to be improvised within a few weeks. The Charity Commissioners, the Governor of the Isle of Man, the King's Proctor, the Duchy of Lancaster, and the Lee Conservancy Board kindly lend the services of some of their derelict officials, and in order that the new office may live up to all the best traditions of red tape the Steward and Clerk of Halemotes of the County Palatine is installed as "Establishment" Officer.

These persons then proceed to appoint a thousand clerks and messengers—a thousand is always the minimum. When they have exhausted the applicants with influence the public swarms in. There is no examination, no test of qualification. With this motley crew the Minister of Building manages somehow to accomplish the task for which he was appointed. The work costs five times as much as

it is worth, hardship and injustice are scattered broadcast, blunders innumerable are made—but we are at war, and this sort of thing is the best we can do.

As soon as the rush of work connected with the Building regulations is over, the army of officials in the Hotel Royal begin to think of the future. The quarters are pleasant, the pay is good, the work unexacting, and the taste of power delicious. So a Reconstruction Committee is set up to prepare great schemes for the future. But when the war is over the fifty leading experts, who are mostly giving their services, will hasten back to their own affairs, and the brains and push and energy of the Ministry will be gone. This, of course, does not worry the professional official in the least: he will be glad to see the back of these hustling persons, so that he can establish himself and his minions behind a permanent parapet of forms and jackets, minutes and memoranda, imprests and precedents, all, of course, in triplicate.

Let us reconstruct by all means. Indeed, if we are to live, we must reconstruct, but at all costs the fatal blunder must be avoided of construction upon the flimsy foundation of improvised war-time make-shifts. All these hurriedly conceived and badly constituted Ministries, Controllerships, and Directorates must be swept clean away, and if good is to be done a new start made upon surer and more solid foundations.

“We are living,” says a leading manufacturer,

"under a condition of State interference such as no man dreamed of as possible before the war. Bureaucracy as we have got it to-day, and as it will remain after the war, is going to be a terrible danger unless controlled. Employers and workpeople are all going to be the slaves of the official."¹

"There is a danger which threatens freedom in the demand that the State should step in and take charge of branches of industry. . . . These are Prussian methods. We, as Liberals, desire to preserve independence and individuality."²

The latter-day alliance between Prussianism and Socialism is one of the most remarkable phenomena of these extraordinary times. Let us be quite clear that we want Reconstruction in order to repair the ravages of war, and to equip us the better for the march of progress, but not for the purpose of perpetuating the millions of war jobs which we have had to create in the last three years.

To the present writer this point is of great importance, because the scheme here suggested and already outlined in "Trade as a Science" involves the appointment of many thousands of *trade* officials, and unthinking critics have been inclined to overlook the essential difference between a clerk in Whitehall and an expert trade commissioner in Peking, and to dismiss the scheme with the old sneer—"Another army of officials!"

¹ Sir Richard Cooper at Bradford and District Manufacturers' Federation, April 16th, 1917.

² Viscount Bryce at the National Liberal Club, March 29th, 1917.

For this reason I desire to put great emphasis upon the absolute necessity of wiping out at the earliest moment all war-time civilian appointments. The holders of these posts have no claims on the nation. The soldier will be demobilised without a second consideration, and there is no reason why the man who has preferred to do his fighting in Westminster instead of Mesopotamia should have any greater claim to continuity of employment. He has enjoyed the market rate of pay, the soldier has not. He has in most cases derived material advantage from the war. Where there has been sacrifice it has been on the lowest scale and he should be the first to go.

If it is essential that in a few cases these jobs must be perpetuated, then nine times out of ten there are better men in the Army who have stronger claims than the present occupants. It is, of course, obvious that here and there a piece of war work may have a permanent value and its continuance may be highly desirable, but such considerations must come from outside and not from inside. There must be a definite demand from independent sources, and little or no weight must be attached to schemes which come from interested inside parties.

Another fundamental consideration which Would-be Reconstructors should carefully study in attempting to apply war-time experiences to peace conditions is connected with the office of the Censor. Since 1914 the Government of the country, both civil and military, has enjoyed an immunity from press

criticism which is unprecedented. Two causes have brought this about : first, the Defence of the Realm Act, and second, and even more powerful, a deep sense of patriotic responsibility on the part of the Press. It must not, however, be assumed that because some authority has been allowed to work its sweet will without serious protest, the public or the Press is unaware of its grave blunders, of the injustice it has perpetrated, or of the damage it has done to all sorts of innocent interests. All this is recognised as the price of war, but nothing of the kind will be tolerated for five minutes for any other reason.

The Prussian is the slave of the State, but the State is the servant of the Briton. This fundamental distinction must never be forgotten. In the midst of war we are told that Germany has adopted National Service, and we accept that argument as a good reason why we should submit to that stupid scheme for "devitalising and misdirecting the energies of the nation." But in peace time such an argument would have an exactly opposite application.

There is another point which Reconstructors should be prepared to meet. The vested interests in some temporary war department may be relied upon to play the financial card very skilfully. We shall be told that we have spent many millions in establishing a department, providing it with buildings, plant, equipment, and what not, and that surely this money must not be thrown away. That is

a false argument. In making war we have deliberately thrown away thousands of millions, and whether it has gone in bricks and mortar in Westminster, machinery in Coventry, or powder in Flanders, it is all waste, and the only people who are entitled to annuities out of the process are those who have suffered on the actual battle-field.

We must avoid buying a lot of silly schemes on the principles which guide the woman at the draper's sale. The aim of Reconstructors should be to blot out the effects of the war as speedily and as effectually as possible, and not to perpetuate one of its most glaring abuses.

Reconstructors must also be very careful to see that their suggestions are financially sound. It is not uncommon to hear it argued that because we can raise a thousand millions for war, therefore we ought to be able to raise a like sum for a better purpose. But we have not raised any such sum in reality. All we have done is to raise threepence and send a bill for ninepence to posterity. I am reminded of an old merchant I used to know who carried on his business by means of bills. He became so accustomed to this system and so blind to its meaning that he developed the habit of saying whenever he signed a six months' acceptance: "Well, thank God, that's paid." That man's successors had no such reason for thankfulness, as they found upon his demise that instead of a large estate, which they hoped to enjoy, there was a considerable deficiency.

One of the worst—because the least apparent—of the evils which war has brought upon us is a false prosperity, which is chiefly due to excessive inflation of the currency and the lavish creation of credits.

It becomes, therefore, very necessary to insist that there is no vested interest in war profits, whether they take the form of extravagant wages, inflated dividends, high prices, or soft jobs.

A splendid example of the mixture of candour and folly in this matter was provided by Mr. Neville Chamberlain in an interview with an American journalist reported in the *Observer* on April 29th, 1917. "Another great service which the war has done to Britain has been to teach us all to view with real complacency the expenditure of Government money upon public works." This sentence robbed of its context is not quite fair to Mr. Chamberlain, but it serves our purpose because it reflects the mind of many of those who have been called to rule over us in these latter troublous days. When the war is over we shall have to learn to view with real *alarm* and not complacency the expenditure of any public money without good cause shown. If the British Empire is to be worthy of its name it must be financially sound, and the devil's dance in finance set going to the order of the Kaiser must be stopped at the first possible moment. This is not to say that we cannot raise unlimited sums for necessary and essential purposes, but to enable us to do so the present unthinkable waste in all departments must

be absolutely stopped and there must be no "complicity."

Reconstructors should also consider another series of important points, when they touch upon trading matters. We must avoid in every case great building schemes which begin at the top. The most general criticism which can be justly levelled against our war methods is that we have acted irrationally, always trying to build from the top, by means of huge central departments with swarms of officials. The rational thing is to begin building from the bottom. Whatever the problem, first find the unit and work from that.

When dealing with industry this is a vital point. Trade must be studied and arranged trade by trade, one trade at a time, and the unit must be a single industry.

The Reconstructor would also do well to get a clear idea of the proper functions of an official and the proper place for a business man. They are different types, with different spheres of usefulness, and the mixing up of the two is fatal. The official has always been known to be a failure in commercial and industrial matters, and since 1914 it has become apparent that the business man is not to be trusted in an official capacity.

Lastly, the Reconstructor should work in the daylight. Every theory, every idea, every draft should be available to all parties likely to be interested. When war is over we must give up the habit of setting a scheme in motion first, and discussing it afterwards.

CHAPTER III.

THE CASE FOR DEVOLUTION.

By far the most difficult task which confronts the industrial reformer is to define exactly the functions and duties of the Government. The developments of the last three years have not made this easier. We have on the one hand the extreme individualism of the past and on the other the alarming socialism of the present ; for the wildest dreams of the wildest socialist have materialised into amazing fact, and we are living to-day under a system of State control of production and State interference in trade that would have been inconceivable in 1914.

The battle of the immediate future will be between those who think that the State should continue in the trading career which it has recently adopted, and those who believe that we should revert to unadulterated private enterprise. In the end neither party will win : because both systems are thoroughly bad and foredoomed to failure. Unrestricted individualism is admitted on all hands to be incapable of meeting the world crisis with which we are faced. State trading, on the other hand,

is also an impossible proposition. Those who have experience of it will agree that it lacks certain vital elements which are inseparable from success in the realm of commerce and industry.

The endeavour of the writer is to find a scheme which will unite the best features of the two systems. The State must help in industry; it must assume a measure of control: but without individual initiative and individual interest, industry can not and will not thrive, nor will the world secure the benefits which it is entitled to demand from it.

The war has given the Socialist a chance to show what the State can do in trade and industry and has convinced most right-thinking people of what they already suspected. It has shown that the more the State has to do with the actual work of production the more the waste and extravagance involved.

There is here no intention to complain of what has been done since August, 1914. We were admittedly unprepared for military war, and we had to face a situation which was unparalleled in history. Miracles were necessary, and, needless to say, miracles were not performed. But we got as near to miracles as we could, and we have achieved the impossible as far as that could be done. Under these circumstances it would be ungracious to cavil at the innumerable blunders of the past few years. The subjection of Germany would never have been accomplished if the State had not taken the task in hand—without regard to anybody's interests,

without regard to the future, or to anything but the immediate prosecution of the war. The fact that the most violent interference with everything and everybody has been necessary, the fact that destruction and waste, apart altogether from the battlefield, have been carried on at a rate that is appalling, must therefore simply be credited or debited to "a state of war." But it cannot be too emphatically stated that this sort of thing has been tolerated for the sole purpose of defeating Germany, and when that purpose is achieved all these abuses must be brought to an end with the least possible delay.

This point cannot be made too frequently or pressed home with too great force, because there are to-day numerous groups of persons with ready-made plans for continuing many of the abuses which we have had to suffer since 1914.

Mr. Neville Chamberlain, whose candid indiscretion we have already acknowledged, voiced the views of numbers of our war-time governors, in the interview which he gave to Mr. Edward Marshall, an American newspaper correspondent. "Many things," he said, "which before the war were regarded as the fads of enthusiasts will be regarded as wise programmes after the war ends." In my view Mr. Chamberlain was unduly optimistic. He allowed the splendour of the St. Ermin's Hotel and the glorious temporary power of the Directorship of National Service to carry him away. If he had only been able to divest himself of his official

surroundings and peep into the thoughts of some of the best British brains, he would have discovered that there was the deepest resentment at the way in which the Defence of the Realm Act has been used to foist upon the community all sorts of stupid "fads of enthusiasts"; that the force of patriotism was sufficient to keep this resentment from finding expression in the middle of the war, but that when the day of peace comes these enthusiasts, including Mr. Neville Chamberlain himself, robbed of the advantages of military necessity, will have to justify all the silly schemes and programmes upon which they have squandered the public money.

The war has done many remarkable things, but nothing has been more astounding than the complete abandonment of all the principles of Liberalism, an abandonment the strength of which has been in direct ratio to the pre-war strength of the Liberalism of our Dictators. Abraham Lincoln, echoed since by many great English Liberals, defined Liberalism as "Government of the people, by the people, for the people." Mr. Lloyd George has created a system of Government in which the very last folk to be consulted, or to be considered, or to have any voice in the matter are the people who are governed.

But in abandoning Liberalism we have not adopted the old-time alternative of Conservatism. In the fight for liberty we have not only robbed the people of their liberty but of their property. We have invented a most remarkable mixture of the

principles of the Kaiser and of Mr. H. G. Wells, which will provide the historians and economists of the future with ample material for debate.

To return to trading matters, it would seem to be wise to re-study the problems of Government or State trading from the beginning, and it must certainly be understood that war-time experiences do not apply to peace-time conditions. In time of war it is necessary to allow the Government official to dabble in trade. Nobody but a Government official can order supplies for the forces. But that does not mean that the Government official buys these goods to the best advantage, arranges for their manufacture to the best advantage, or produces them in the most economical way.

In the ordinary course the Government official is the very last person who should be entrusted with the direction of the practical side of industry. He is constitutionally unfitted for the job, and the terms on which he holds his appointment render him further disqualified as a buyer or seller or producer. There is in his case an absolute absence of responsibility, and no commercial transaction can be carried through satisfactorily in these circumstances. In Government enterprises nobody pays, nobody suffers, nobody runs any risk. The position of the Director of a Government establishment is entirely different from the position of the Director of a properly constituted industrial concern. The latter runs the risk of failure and takes his chance of success, and he and all those dependent upon him

rise or fall by the skill which he displays in the conduct of affairs. But with the Government official, the position is entirely different. He has only two prospects before him: a peerage if he succeeds, a pension if he fails. "Success" is hardly the word to use in connection with a Government Department which manages to perform its functions in accordance with its terms of reference, because it starts out with advantages arising from the authority which it enjoys, advantages which are denied to any ordinary commercial enterprise.

But the objections to Government trading can be put upon a broader basis if it is admitted that the need of the nation is to secure the absolute maximum in output of all descriptions. To secure that maximum it is necessary that every individual member of the nation should be continually employed to the best advantage. If it were possible for the Government to arrange to take into its employ every inhabitant of these islands and organise them thoroughly, to equip itself with the best type of machines for every purpose, and to put everybody to the job for which he is most fitted, *and if that process would not tend to decrease individual effort*, then something might be said for Government trading. But if the Government confines itself, as of course it must, to undertaking a part only of the productive work of the country, and thus puts itself into competition with the rest of the nation, it will be found that such action simply discourages those who are not in Government employ, if indeed

it does not make it impossible for them to carry on business at all.

To secure maximum output, therefore, it is necessary for the Government to refrain from any form of competition with any of its subjects, and to devote itself to helping and encouraging and fostering the activities of all of them for the benefit of all.

If any reader should desire to be strengthened in his views as to the blunders of State, Municipal, and other forms of public trading enterprise, he could not do better than study the writings of the advocates of these schemes. There are, of course, very strong reasons why public authorities should take in hand several well-defined forms of public service. Wherever there is anything in the nature of what are known as public utility services, the case for public ownership is exceptionally strong, but when State trading goes beyond its province in the way that it has been obliged to do during the war, abuses of a very serious character invariably arise.

In May, 1915, the *New Statesman* published a Special Supplement on "State and Municipal Enterprise," and gave an exhaustive review of the present position. The writers are frankly in favour of a very wide extension of this form of public activity, and hail with delight the great steps forward that have been made since 1914.

It is especially interesting, therefore, to notice the examples of State trading which they single out for special praise and as models of the sort of thing which should be extended in all directions.

"We need only mention, to begin with, the colossal Government factories constantly at work in many different countries in the various State monopolies, making tobacco, cigars, matches, gunpowder, alcoholic drinks, salt, potash, mineral waters, carpets, porcelain, the finest engravings, and what not, simply for sale."

To the doctrinaire this sort of example may inspire confidence and enthusiasm, but to any who have the most elementary knowledge of trading conditions and requirements, there is not a single case covered by the above paragraph which would warrant any support to the idea of further development on the part of public bodies in these directions.

Many of these illustrations are examples of the grossest and worst forms of monopoly which it is possible to imagine. Monopoly in private hands is bad enough, but when the State makes use of its powers to foist upon its subjects tobacco, cigars, and matches such as the poor Frenchman is doomed to use, reasonable people sigh for liberty.

If the *New Statesman* is to be taken seriously, it should be informed that a revolution will take place in these islands before the average Briton will tolerate the sort of thing that the continental nations have to put up with in this way.

It is even more surprising to find the *New Statesman* holding up salt as an example of benevolent and wise Government action. Further inquiry would surely show that the tax on salt which is the result

of such action constitutes one of the gravest dangers to the health and welfare of the States who are so misguided as to adopt it.

The carpets and porcelain referred to are the "Gobelins," "Sèvres," and "Dresden" factories, but these are not examples of commercial enterprises. They are really part of the system of national education, and I should be very glad indeed to see the educational authorities in this country spending more of their energies in connection with the production of works of art.

The same publication gives another excellent quotation, which instead of strengthening the case for State trading is the most emphatic condemnation of it that could be imagined. The *New Statesman* quotes with pride, as showing the benevolent change that has come about within a single generation, Mr. Lewis Harcourt, then Secretary of State for the Colonies. Mr. (now Viscount) Harcourt is reported to have said:—

"In these days the Colonial Office has more the attributes of an immense trading and administrative concern than those of earlier days, when it was a mere machine of Government. My days and nights are spent in the study of medicine, in the details of railway construction, with a desire that the smallest sum of money may lay the largest number of miles of track in the fewest possible days. I am a coal and tin miner in Nigeria, a gold miner in Guiana. I seek timber in one colony, oil and nuts in another, cocoa in a third—copra and copal, seisal and hemp,

cotton, coffee, tobacco are common objects of my daily care."

This is surely a most remarkable case of the misuse of an illustration. It may serve the purpose of the Fabian nursery and strengthen the student's attachment to the principles he holds dear, but to anyone with commercial experience it has the exactly opposite application.

The whole tendency of business for a hundred years past has been specialisation. The only successful industrial developments have been along the lines of specialisation. The difficulties of succeeding in any department of manufacture or production are now so great that it is essential that every business man should confine his studies and effort within a limited compass. And, yet, if you please, we are asked to believe that Mr. Lewis Harcourt, cultured and charming as he is, but whose apprenticeship to trade is not upon the records, can be a successful coal miner, tin miner, gold miner, lumber man, oil and nut merchant, cocoa importer, and half a dozen other things every day of his life.

The answer to Mr. Harcourt is perfectly simple and obvious. It is that the office over which he presides is under no obligation to make a profit, has no account to render to proprietors or shareholders, is not dependent for its existence upon the revenues which it can earn, but has at the back of it the inexhaustible funds of the poor British taxpayer, and in consequence can afford to allow a most estimable aristocrat to trifle with all these important

matters, to the sorrow, indeed chagrin, of the people who know.

It has for long been recognised that the orthodox official mind is not the type that is required for success in business. After our painful war experiences it will equally come to be recognised that the successful business mind is the very last that one expects to succeed in any official capacity. Having arrived in this way at both sides of the question, it will be seen that there is a very definite dividing line between the functions of the official and the functions of the business man, and that beyond that line neither can travel with success.

It would not be fair to base arguments upon the experiences of 1914-1917, if it were admitted that the numerous developments of those days were merely war-time makeshifts. But in view of the attempt to bolster up and fortify these houses built upon the sand, we are entitled to protest.

CHAPTER IV.

THE OFFICIAL AND THE BUSINESS MAN.

A SURVEY of most of the attempts of Government Departments to handle business propositions creates in the mind of the business man a feeling of pity. All these things seem so simple on the face of them, and the learned Government officials, with their carefully prepared theoretical minutes, are generally able to make out a good case for any action which they propose to take. But commerce is a complicated thing, and those who have experience of it have reason to know that simple theories do not always work out in practice.

The official mind is not a business mind. It delights in points which for commercial purposes do not exist and which merely bore the business man. The impossibility of mixing these two types has been illustrated a thousand times since it became the fashion for business men to give their services to Government Departments.

The business man cannot accustom himself to official etiquette. He cannot see the necessity for the innumerable references to other departments and the consequent intolerable delays.

It may not be generally known that if a post card is sent to a Secretary of State to call his attention to some trivial point, that post card is threaded with an official tape, attached to a Minute Sheet, and the whole bound up in a manilla jacket. On the front of the jacket will be written a whole mass of numbers and references, inserted there by a registry which no doubt understands them. Below this information are three or four columns in which are entered the date the document is received, the name of the person to whom it is referred, and the date upon which he passes it on. There is accommodation on the front of this jacket for eighty or ninety such entries. The ambition of the official mind is only achieved when the whole of the front of the jacket is completely occupied with the names of the officials to whom the matter has been referred.

This post card will wander about Whitehall for months and be sent to everybody who is anybody, "for observations." No well-constituted Government official takes action until this process of consultation has been made as complete as possible. The really expert official is the one who can think of the largest number of other officials who ought to be consulted about every point. The super-official is the one with a mind so highly trained that it can discover some good reason why every matter submitted to it is not really a matter for it to decide at all, but for the consideration of some other department.

This is the way in which the British tax-payer is

doomed to do his business. The joke of the whole thing is that these numerous references from great minds which have secured official distinction on the strength of their classical education, produce in the end nothing but error. These are the methods which fix the price of the potato at £8 a ton and forget to mention whether that is a minimum or a maximum figure. They evolve an Order that gooseberries shall be £20 a ton when the market only asks £14. They load a ship, unload it, and load it again with the same cargo before it is allowed to sail.

There is another way in which the official frequently goes wrong when he enters the trading field. He has been educated in the theory of Government and taught to believe that the underlying principles of every department are the same. That is why when he gets a problem to solve he passes it round from department to department. In exactly the same way he makes his career and gets his promotion by being passed on from one department to another. This sort of thing will not do in business. Experience in the Post Office may qualify a man for a high position in the Inland Revenue Department, or success in the India Office may be the road to a better salary at the Treasury. But when we come to trade, experience gained in one trade is very seldom of any use in another. Each trade has its peculiarities ; each trade has its habits and its methods of doing business : and experience gained in the manufacture of gas will be

of no use and may even be a disadvantage in dealing with the problems of the timber trade.

The endeavour of the writer is to show that a very careful distinction should be made between the functions which are proper to the Government and those which should be left to the individual: and it becomes obvious that in trading matters, or anything nearly appertaining to trade, the Government and its officials are out of place. The old Board of Trade furnishes an excellent example of the proper functions of the Government. So long as it confined its attention to the regulation of such matters as bankruptcy, harbours, railways, load lines, life-saving appliances, factory inspection, weights and measures, company registration, and other similar devices for carrying on work which may be described as the "policing" of trade, it was within its proper limits. But its later developments into Commercial Intelligence Branches and Labour Exchange Departments, have gone over the line which should define the activities of the official.

The Commercial Intelligence Branch of the Board of Trade may be examined in this connection. Here is another case where theory does not work out in practice. It would seem to be a very proper proceeding for the Government to endeavour to collect commercial intelligence for the benefit of traders. But the fact that notwithstanding the most strenuous efforts the work of this department has never grown to the size of a respectable merchant's office, shows that there is something wrong. As is pointed out

elsewhere, the mistake in this matter was the endeavour to comprise within a single department the interests of all the trade of the country. As a matter of fact, every industry requires its own commercial intelligence branch, and each industry could justify an office of its own of far larger dimensions and greater activities than the whole of the existing Commercial Intelligence Department.

We must recognise that the official is no business man and the business man is no official. The business man's life is made up of successes and failures. He runs, as everybody knows, what is called a profit and loss account. Every business has its losses as well as its profits, and the successful business is that which has more profits than losses and thus finishes with a balance on the right side. The business man is free to make mistakes and always does make them, but so long as he is right rather more often than he is wrong, he justifies his existence. These are the basic principles of trading. But they cannot apply to Government activities. The Government in theory cannot make mistakes. It must always be right. Hence the need for the classical scholar with his minutes and his jackets and his innumerable references, things which ought to be unknown in business. The very essence of a business contract is time. Every trading transaction must have a time limit if it is to be successful. The most profitable piece of work can be turned into a loss if only sufficient time is occupied in the doing of it. The principles which underlie Government

transactions cannot admit this time factor. The Government cannot hurry, and this fact alone ought to be sufficient to keep the Government out of any trading transactions.

But this chapter wants a postscript, or it might give an entirely wrong impression. It is intended to show the danger of trespass by the official beyond his proper sphere, but it is not intended to imply that the official is unnecessary or incompetent in connection with those functions for which he properly exists.

When trading questions are delegated, as they will have to be delegated, to expert Trade Councils, the official will then come into his own. The procedure of those Councils will require regularising and co-ordinating, their powers will want definition, their actions will be improved by criticism, their accounts will need certifying, their differences will call for arbitration, their conflicting interests will have to be reconciled : and in these and many other ways the Government officials will be busily occupied with matters which they understand fully and with which they are pre-eminently fitted to deal.

CHAPTER V.

"AUDACITY" IN TRADE.

IN a reply to a deputation of the Labour Party, Mr. Lloyd George said :—

"Audacity is the thing for you. Think out new ways. Think out new methods. Think out even new ways of dealing with old problems. Don't always be thinking of getting back to where you were before the war. Get a really new world." . . .

"The readier we are to cut away from the past the better are we likely to succeed." . . . "I believe the settlement after the war will succeed in proportion to its audacity."

A mandate from the Prime Minister is thus the excuse for a few audacious speculations as to the possibilities of trade. There is a "new world" to be got in trade, if only we go the right way to find it.

In the year 1900 the United Kingdom exports amounted to £354,373,754, or £7 1s. 6d. per head of the population. In 1913 these figures had risen to £634,820,326, or £13 15s. 10d. per head. Thus in thirteen years, during which time we had developed

the practice of restricting output to a fine art, we succeeded in very nearly doubling our rate of exportation. Further, this was achieved before we had tackled the problems of production in the serious way that has been necessary since war began, before we had added to the ranks of industry the million or so of additional workers who have since been discovered, and before we had acquired anything like an adequate equipment of automatic machinery.

In response to the Prime Minister's request for audacity it is interesting to figure what would happen if exports were increased to £100 per head of the population. This may seem to be aiming too high, but it is not an altogether impossible suggestion, as many practical readers, readers who have acquaintance with the little that is done to develop export trade in most directions, will agree.

If exports were increased to £100 per head of the population the total would then be £4,616,875,098 per annum. Now let it be imagined for a moment that the war could be paid for entirely by exports, an assumption that is not absolutely true but quite true enough for our present purpose. In that case, with exports at £100 per head, we could pay our war costs twice as rapidly as we had incurred them. We should soon get "a really new world" that way. But "audacity" leads us on!

Why should it not be possible to make production the fashion? Since 1914 we have adopted all sorts of fashions that we never dreamed of before. It is not only unpatriotic but *bad form* to dress well,

and in this and many other ways we have entirely reversed our views. Is it then unreasonable to suggest that when the war is over we should reverse our views on trade? Is it unreasonable to ask that the *gentlemen* of the future should be those who are actually engaged in production? Is it impossible that we should reverse the social status of the producer and the man of leisure? The moral force of such an alteration would give us all the desired results. The readiness with which we have adopted new views on most matters, in obedience to the dictates of war, should enable us to take up new ideas in considering the vital interests of peace.

There was a time, indeed there is a time, when the schoolmistress, anxious for the social reputation of her seminary, made careful inquiries as to whether a parent was *in trade* before accepting the child. Why should the rule not be reversed? If the Archbishop of Canterbury, and one or two such leaders, would invite the schoolmistress in the future to refuse the children of any parents who were not connected with some form of production, we should add a very large slice to the £100 per head of exports that we have set as our ambition.

As things were constituted in 1914, no trader ever secured admission to a first-class club, as a trader. He had to squeeze in as a director of companies, and he was the more welcome the nearer his directorship approximated to the guinea-pig order. Is it too much of a revolutionary suggestion that in

view of the nation's crying need for production, admission to clubs in the future should be on the distinct understanding that the candidate is engaged in some useful branch of industrial activity?

The Vice-Chancellor of the University of Sheffield, Professor Ripper, has expressed this point in an ideal way. "Trade and industry," he says, "must be recognised as the natural, healthful, and normal means whereby the nation is able to express itself in useful service. To accomplish this result will require from each of us, from the highest to the lowest, our best efforts, and our most devoted service."

The work of repairing the wastage of war will require, in addition to a great deal of automatic machinery, a very much greater deal of alteration in the *fashion* with regard to trading matters.

But we have not exhausted the possibilities when we have induced every fit hand and brain to take a part in the building up of the nation's industry. The next step would be an Efficiency Campaign. Imagine the possibilities of such an agitation if conducted with half the vigour of the Derby scheme. Think of Mr. Lloyd George with all his eloquence leading a campaign for "Empire Efficiency." "There has never yet in this country," says Mr. Charles Lancaster, "been any public agitation for greater national efficiency. Men who have been called captains of industry have now and then appeared, and will appear again, but no great man can by his personal management compete in results

with a number of ordinary men who have been properly organised so as efficiently to co-operate." The same writer makes the interesting suggestion that trade associations should be called efficiency societies. There is already the Bradford Business Science Club, a capital little body of keen men who meet weekly to discuss questions of efficiency. I need not elaborate this point.

We are getting on with our £100 per head of the population. Increased machinery, the abolition of limitation, production as a fashion, coupled with an Efficiency Campaign, all help us to see that the figures we were bold enough to suggest are not so impossible after all. But there are other things that yet remain to be done. The elimination of waste is a subject all to itself, full of really gigantic possibilities. The authors of "Eclipse and Empire" state it as their opinion that by means of the saving of waste and the invention of new methods and materials, the whole of the expenses of this great war could be defrayed in one generation.

So far we have proceeded to build up the industrial revival that is required from outside, by creating a different atmosphere, a different standard of opinion, on the subject of trade and industry. But there is other work to do before we shall reach our ambition of paying for the war in a couple of years.

Such business brains as we possess are to-day chiefly devoted to the welfare of individual firms or companies. The managers of a shipbuilding company, or a chemical concern, or an agricultural

implement house, are engaged primarily on the well-being of that house. A very large proportion of their energies is devoted to competition with other houses, and as a result there is overlapping and cancellation of effort to an alarming extent.

A very great step forward towards our £100 per head and our "new world" would be made on the day when we agreed to take our trades one at a time, trade by trade, and study them as whole trades. There are very few of our minor industries whose output could not be doubled if the men engaged in them were to work together instead of against one another. Production of large varieties of small quantities such as is the rule in England to-day, would give way to production of limited varieties in big quantities. This side of the subject is dealt with more fully elsewhere and need, therefore, only be mentioned here. It is, however, beyond dispute that there is room for immense expansion in the output of each of our industries if it were possible to treat each of them as one single unit and organise it properly.

This brings us to the difficult problem of the Nation's interest in trade. In order to pay for the war in the limited time that Mr. Lloyd George's "audacity" has tempted us to suggest, it will be necessary for the Government to take a very different view of its responsibilities to industry. Hitherto the theory has been that when the Government has issued a few regulations as to guards for machinery and fire precautions or set up a wages

board, its duty to trade is at an end. In future the Government will have to take a much more active interest in the promotion of trade. We cannot again allow whole industries to disappear simply because capitalists find a more remunerative means of employing their money, or workmen go on strike. It must be part of the duty of the Government to see that each industry which can profitably and properly be carried on in these islands is established on a firm and lasting basis and exploited to its fullest extent.

This question of the relations between the Government and trade is the matter with which this book is chiefly concerned, and is the most difficult of all the problems connected with Reconstruction. If the possibilities of trade are to be realised to their fullest extent it is obvious that Government help and encouragement must be forthcoming. Government Departments must realise that to set up in competition with an established industry is not the best way to encourage that industry to develop itself.

Mr. Ritchie's Local Government Act of 1889 gave new life to our Counties, Towns, and Cities. It is not too much to say that it was the basis upon which the London, the Birmingham, and the Glasgow of to-day have been built. Modern systems of sanitation, locomotion, town planning, and education, have not been brought to their present state of efficiency by the activities of officials in Whitehall. The tremendous strides that have been made in

these matters within the last five and twenty years have been entirely due to a policy of devolution and the conferring of adequate powers upon local authorities, with the result that a live civic spirit has been cultivated.

In exactly the same way the full development of industry will never be attained by the dabbling of doctrinaires in Westminster in all sorts of doubtful trading speculations. But if the Government will create for each industry an authority elected upon a proper basis and modelled upon our excellent local authorities, then the life and well-being, prosperity, and expansion of each industry are assured.

To carry out this suggestion would amount to the endowment of Trade Councils with statutory powers, and the placing upon these Councils the responsibility for the welfare of the industries which they represent. A useful thought in this connection is furnished by the *New Statesman* Supplement on Professional Associations. "It should, we think, be a matter of professional honour for the collective organisation of each profession to see to it, not merely that its members are well qualified and properly remunerated, but also that the service of the profession is supplied in adequate quantity for the needs of the community, not only the rich but also the poor." The *New Statesman* is dealing with professional associations: the argument applies with equal force to trade associations.

If, therefore, we could add to the other minor revolutions that we have suggested, the setting up

of a statutory authority in every industry to encourage and organise the efforts of those engaged in that industry, another great advance towards the £100 per head would have been made. “We want to think in larger multiples,” says Mr. Fisher, Minister of Education. “Our business ought to be organised on a larger scale and with more science. Until we get into the habit of thinking on a larger scale, both with regard to the organisation of business and the scientific equipment which should serve those businesses, we are not in a fair way to achieve any very great results in applied science.”

Last, and by no means least, we must get rid of the small mind, especially the small mind in big places. That is one of the greatest dangers which confront the nation at the present moment. We have too many small-minded faddists in all these new Government Departments and Directorates, and the fear is that some of these people, having secured the ear of those in authority, may induce the State to embark upon silly small schemes, schemes which are not within the province of the State and which cannot be properly understood in Whitehall.

The small mind is useful enough in its way, but it must not be tolerated at the centre of Government. The establishment of a system of devolution for industry, the setting up of Trade Councils in every industry, the confining of the thought and effort of Government to the principles of governing, will leave plenty of scope for all these faddists to

put their schemes before the practical men who will be found upon the numerous Trade Councils.

A new vista will appear when once the principle of national interest in trade is admitted, and undreamed-of possibilities will come to light when we begin the study of whole trades, one trade at a time.

But to come back to Mr. Lloyd George and audacity. One is tempted to express all sorts of dreams which, although they may be dreams, are not so unpractical as they appear. The trade of the future is charged with the duty of providing the world with the best of everything. There is no end to its opportunities and no limit to its possibilities. For instance, the work of giving every man, woman, and child in these islands the opportunity for a warm bath every day, expressed in terms of trade, represents an order for about one hundred million pounds' worth of goods. If similar advantages could be extended to the Western Hemisphere alone, to say nothing of the whole globe, it would mean in terms of trade unending employment to the masters and men engaged in the manufacture of baths and hot-water apparatus. But the hot bath is by no means the height of ambition as present-day ideas run. Everybody wants a more frequent change of linen, more furniture, more variety of food, more amusements, more recreation, more books, more light and heat, more of every imaginable amenity of life. And the satisfaction of these needs represents enough work to keep us all engaged, with the assistance of

the best machinery, for generations to come. And then, before these requirements are one-tenth filled, many new needs will have arisen. In fact, demand will always be ahead of supply if only the right ideas are kept uppermost in mind.

In considering the possibilities of trade expansion, we have confined our remarks to the paltry ambition of £100 per head in exports, but we hesitated at the beginning of these notes for fear of giving too great a shock to the reader. We dare now to go beyond that aspiration. The £100 per head is not a sufficiently ambitious mark to set before ourselves.

The last Census of Production proved that the net output per workman employed in factories in Great Britain amounted to £102. In that simple fact one discovers the reason for the limitation that has to be placed upon the earnings of the industrial classes. For if the workman were to succeed by agitation in securing the whole of the £102 which he produced, he would not then have reached anywhere near the point which he had set himself as his standard of comfort.

Let us assume therefore, in the audacious mood which we have adopted for the purpose of these notes, that, by making production fashionable, you have doubled the number of producing hands: and then add to these sufficient automatic and labour-saving machinery to make the output £500 per worker. If these two assumptions are not impossible you would increase our output, our production, our real wealth as a nation, ten times.

This is undoubtedly overstating the case, but we plead Mr. Lloyd George's "audacity."

It must not, therefore, be assumed that we can exhaust the possibilities of trade by means of an increase in exports alone. The field for development in home trade, home consumption, and therefore home comfort, is equally inexhaustible.

The elected Trade Councils would, of course, be concerned with quality as well as quantity; the two things must go together. They would give full scope for the forces of art and science to make themselves felt in our industries. These forces are largely ineffective to-day, owing to the absence of that collective and co-operative spirit upon which they both so largely depend.

CHAPTER VI.

THE THIRD PARTNER.

NEXT to the war, our trade is the question which should be uppermost in our minds. The well-being of our industries is the foundation upon which every other form of national life depends. The success of British trade in the past has been one of our greatest achievements. We have always led the world of commerce, and so far no rivals have succeeded in taking that position from us. But the war has called a halt, and given us time to review our position, and we have now discovered that competition is much stronger than we had realised. The war has done something else—it has made us poorer, it has created a necessity for a great increase in our trade, and has brought about a situation where new methods, new ideas and drastic alterations have become essential.

In these circumstances it is natural that all sorts of plans should be produced and pushed, and from out-and-out Utopians downwards schemes are being advanced by the dozen.

Mr. H. G. Wells wants to do away with “ the little

man in the office"; Sir Leo Chiozza Money wants to turn the State into a wholesale grocer; Mr. Sidney Webb stands for nationalisation; Mr. Lloyd George, armed with Defence of the Realm Acts, starts the State upon a career as "the largest firm on earth," running anything from public-houses to shipyards; Mr. Hughes is determined that not one tiny rootlet of the upas tree of German trade shall remain; and so on.

Conferences are held; Royal Commissions and Departmental Committees spring up like mushrooms; every few minutes another Chamber of Commerce or other self-appointed and unrepresentative body comes into being; Trade Unions pass resolutions; and the ordinary human mind is staggered with the welter and chaos of it all.

The outstanding problems are as numerous as they are varied. The capture of German trade, the trebling of our revenue, the employment of our soldiers, the cheapening of production, the increase of output, the development of the resources of the Empire, the improvement of the general standard of living, are some of the leading questions. There is in all conscience enough to do, and the question which is in the minds of most of the thinkers on these matters is, "What part should the State take in all these movements?"

William Whiteley, the pioneer of the multiple department business in this country, succeeded because he declined to dabble in detail; he delegated responsibility, he put experts in every depart-

ment and left it to them ; he contented himself with the work of supervising. The British Empire may be likened to a great multiple department concern, and the Whiteley principle—the expert and delegation—is the only basis upon which it can be successfully managed. The one necessity to Whiteley was turnover, and the one necessity to the Empire is output.

The position of the State in relation to industry may be likened to that of a debenture holder in a trade corporation. The debenture holder is in fact the supreme authority and exercises a beneficent influence over the Company's operations : and yet, in the ordinary way and so long as things go well, he takes no part in the active working of the business of the Company. A debenture holder in a Limited Company is not even privileged to vote at its Annual General Meeting. He is seldom represented on the Board. His interests are watched over by Trustees, whose duties in the case of a successful enterprise are purely nominal. But if things go wrong, if there is any fear of dangerous competition damaging the Company's security, or any reason to suppose that things are not as they should be, then the debenture holders appoint a Receiver, and the Directors, Managers, Shareholders, and others have to bow to his authority.

There are really three parties interested, deeply interested, in the prosperity of each industry : (1) The State, (2) Labour, (3) Capital. These three parties should be in partnership for the purpose of

promoting the welfare of each trade. The partnership might well be compared to the constitution of a Limited Company, in which the position of the debenture holder was occupied by the State, the position of the preference shareholder by Labour, and that of the ordinary shareholder by Capital.

In considering the relations of the Government to trade and industry, it may be convenient to inquire what it is that the nation wants from trade. This simple question has in the past been confused with side issues which have almost entirely monopolised the discussion. We have got into the habit of giving the whole of our mind to problems like Free Trade and Protection, or Work and Wages, and it seems to me that we have now to go back a little and consider the primary interests of the nation in industry.

If we take the Boot Trade as an example, and look at it from a national point of view, we find a few hundred so-called masters representing a few millions of capital at present in control of the trade. Next there is a much larger body of managers, salesmen, accountants, travellers, shippers, and wholesale and retail shopkeepers. Last and most important, there is an army of operatives engaged in the actual work of manufacturing boots.

Looking at the matter from the national point of view only, and ignoring for the moment the interests of the trade, the best thing that can happen is that the maximum quantity of the best boots should be produced, that the proportion of boots

to population should be high, that the largest possible number of pairs of boots should be sent abroad. That, it seems to me, is the national point of view.

Next we arrive at a number of secondary considerations such as foreign competition, involving questions like tariffs, and wages, and profits, which are domestic questions as between the different persons who go to make up the Boot Trade. But the first essential is the production of the maximum quantity, and adequate arrangements for the disposal of that production, a problem which so far as I am aware has never attracted the interest of the politician or of the Government.

A further study of the boot industry will show that the small body of masters who control the capital and are in command of the trade are able to stop production altogether if it suits their financial interests to do so. On the other hand, the operatives, well organised in trade unions, possess to-day the power to call a strike and inflict harm not only upon the Boot Trade but upon the nation.

Or again, the price of money or the opportunities for investment may so alter as to make it worth the while of the capitalists interested in boots to take their capital away, thereby throwing the operatives out of work, robbing the nation of its boot trade, and sending the industry, lock, stock, and barrel, to Germany or America.

This sort of thing has happened many times. There is no authority which can watch the national

interests in these matters. The British Boot Trade to-day depends upon the accident that a certain number of capitalists, managers, and workpeople, in their own discretion, think it worth their while to engage in the manufacture of boots.

"We all know that no Government before the war thought for a moment that the magnitude of our iron and steel industry was a subject in which the theory of government was concerned, and we are paying now for the old neglect."

"Let us suppose that a well-equipped Ministry of Commerce, collecting continuously accurate records of progress in every industry, possessed the practical means of making prompt and direct representations to the members of any trade. Let us imagine also that it was found that an important trade was becoming stagnant, as our iron industry became stagnant before the war. The Ministry of Commerce would make it its business to call the iron trade association together, and to discuss the whole situation with its members. If it failed to secure from the trade the assurance of progress, and if the national interest demanded a larger output, as it most certainly did in the particular case referred to, it would become the duty of the Minister of Commerce to devise means to enlarge the production, whether by way of stimulating the supply of capital, or otherwise."¹

Does it not become evident that the duty of the

¹ Sir Leo Chiozza Money, *Evening News*, July 24th, 1916.

Government, as part of the process of governing, is to make such arrangements that this nation shall occupy a proper place in every sphere of trade? If the Government were to insist upon some form of organisation which would give to every manufacturer and every workman the opportunity of being represented, it could spend public money in the development of an industry, and that money would be spent on interests which are truly national. I submit that the maintenance of output in every trade is a proper matter for the consideration of the Government.

The work of the Government in assisting industry should take the form of organisation, direction or control, rather than of direct Government intervention in actual trading transactions. The business of Imperial Parliament is not to do things, but to set up the proper authority in every branch of national activity. We must never forget the complicated nature of trade and industry, the interdependence of one branch upon another, the necessity for all sorts of middlemen, speculators and agents. In working this complicated machine every part reacts upon the other parts, and when the Government goes out of its way to dabble in trade it always finds that it is involved in difficult complications. The Government should encourage the activities of traders and not attempt to compete with them.

There is a general outcry at the present moment for Government assistance in connection with trade. The commonest form that this demand

takes is a call for a Minister of Commerce. The answer of the Government to this outcry is the appointment of great numbers of little Committees, all lacking in representative character or authority, and each attempting to deal with some little detail.

"We are going about the business of our national future like a family which is acquiring an automobile, by sending father out to get some sort of good engine, it doesn't matter what, mother to back her fancy in carburettors, Frankie to get acetylene headlights, Bertie to buy wheels, and Georgie to buy tyres, regardless of each other and the weight and size of the whole, leaving the rest of the equipage to happen somehow, while sister Beatrice sits at home inquiring into the respective merits of the petrol and the steam engine, and Caroline looks through the accounts to find out whether the family can afford to set up a car of any sort at all.

"Economic reconstruction must be a general act. It is an idle dream, and all too prevalent a dream, to suppose that any great economic reorganisation can be brought about by quiet meetings of bankers and big business men and unobtrusive bargains with Government departments."¹

Our trade and commerce is the only part of our national life which is not organised upon a representative basis. There are vast stores of energy, ability, and genius in business, half of which is

¹ "Elements of Reconstruction."

now wasted owing to lack of cohesion and organisation. The Government must deal with trade in a much bigger way. It must learn to think in hundreds of millions and ignore details. It should not dabble in trade any more than it dabbles in local affairs. Its true function is to set up proper authorities in each trade, just as proper authorities are set up in each locality. In trading matters the Government ought to prescribe and not dispense.

A glance at the history of Local Government will help the argument. In the eighteenth century, when the inhabitants of any district wanted to pave the streets or to make any local improvement, they formed a society and shared the cost voluntarily among the members. These voluntary societies gradually transformed themselves, generally by special Acts of Parliament, into various bodies of Road or Harbour or Street or Lighting Commissioners, which levied compulsory rates, and acted in the name, not of this or that exclusive group, but of all the local residents.

It will thus be seen that in trading matters we are in the same position as we were in the eighteenth century in matters of local government. We have our voluntary associations struggling with the impossible task of organising our trades: impossible, because these organisations have no authority, are not representative, in fact, in most cases have no legal status. They do the best they can in the same way that the voluntary

bodies attempted to tackle the problems of local sanitation. The possibilities for improvement in our trading position by the proper application of Government help, are as great to-day as they were two centuries ago in improving our local administration.

If the Government would give up all the many ways in which it is playing at trade, and give the advantage of its recognition to properly constituted councils of industry, our position would be immeasurably strengthened.

I have already dipped into the fund of suggestions contained in the letters to *The Times*, on the "Elements of Reconstruction," but the ideas of these authors are so pertinent to our subject that they must be mentioned. They go a good deal farther than I am prepared to go, and challenge the constitution of Imperial Parliament itself. They call attention to the fact that we have on the one hand representatives of such places as Croydon or Hampstead or Battersea, whose inhabitants have scarcely anything in common except a postal address, and that, on the other hand, if we want to deal in any satisfactory way with the transport workers or railway servants or medical men or electrical engineers, we have to go outside the formal constitution altogether and discuss matters with trade and professional organisations that have neither legislative nor administrative power, that may not represent the entire profession or industry concerned, and that

are often mere organisations for restricting work and raising wages, without any tradition or sense of public function.

They suggest that the shortest way to economic reorganisation may lie in lifting most of the tasks out of the scope of the Legislature altogether, in largely increasing the powers and scope and responsibilities of the great labour organisations, in bringing both them and the national councils of the employers and proprietors of the great industries into the structure of the Constitution, in insisting upon joint conferences and joint action, and in leaving Parliament little more than the power to endorse or veto the outcome of these joint deliberations.

I am not prepared to follow these writers in their larger criticism of Imperial Parliament. It is very necessary, in my judgment, that Members of Parliament should be as free as possible from direct connection with any interests, and if the principle of representation of districts has lost its original meaning, I should rejoice to think that our legislators were to that extent more free from local or particular prejudice. Parliament has a great deal to do apart altogether from trade and commerce, and, for my part, I should be quite prepared to leave it alone if only it would consent to leave trade details alone, and to delegate its powers in these matters to properly constituted authorities.

Such help as the Government now gives to trade is open to the objection that it involves the spending

of public money for the furtherance of private interests. If those private interests were merged into national interests, public money could be freely spent, and certainly it will have to be spent in very large amounts, on the promotion and maintenance of our trade and commerce.

Government help in trading matters, as at present given, is open to the further objection that it is generally the result of personal influence. If the Government think it wise to spend money upon education or research or anything else, in connection with boots or leather, that money ought to be spent upon the advice and with the assistance of the properly elected representatives of the boot industry, and not at the request of some Member of Parliament who happens to be interested and to have the ear of one of the Government Departments.

There is the further objection about the present haphazard method, that when the Government comes to the aid of a small body of traders, there is generally another body of similar traders who feel aggrieved that they have not shared in the benefits secured.

The setting up of properly constituted public authorities in each industry would greatly facilitate the work of the Government in promoting our trade. There would be an end of all the hole-and-corner private arrangements which are the cause of so much trouble and discussion.

Whatever reorganisation is attempted ought

to be done in the daylight. It ought to be done in such a way as to inspire confidence. It ought to be free from any of the abuses of nomination or influence. I have the greatest respect for a Member of Parliament, but a Member of Parliament is very seldom a representative trader. He is not as a rule identified with the interests of any particular trade; if he is he ought not to be. His duty is to watch the interests of all trades and of the nation as a whole. What does the honourable member for, say, the Whitechapel Division of the Tower Hamlets, as such, know about the cotton trade? To put upon the representative of Whitechapel the work of arranging cotton matters seems very like delegating to churchwardens the task of compiling railway time-tables.

Apart from the numerous activities of the Government in connection with different branches of industry, the Government professes to render assistance to trade through the Consular Service, and such institutions as the Commercial Intelligence Branch of the Board of Trade. The latter is so small, and its activities are so minute, that it has escaped much criticism, but the Consular Service has for years been the butt of writers on trading matters. The trouble with these institutions arises from a failure to understand the first principles of trade. The only possible way to deal with the trading problem is, as I have already said two or three times, to take it trade by trade, one trade at a time.

The stupid idea that some unfortunate official, sent at the public expense to a distant part of the world, can be of any real assistance to all the varied interests covered by British commerce, requires to be abandoned. The Consul, especially in a foreign State, is there for the purpose of attending to the formalities connected with passports, bills of lading, registration of births, deaths, and marriages, and other similar details. It is quite erroneous to suppose that he can do anything worth the name in the *promotion* of British trade.

The failure of the Commercial Intelligence Branch to give commercial intelligence that is worth having is now admitted in the announcement that was made last November, that any inquiries for information of importance will be sent to the Imperial Institute, while the Commercial Intelligence Branch will continue as heretofore to give immediate replies to any inquiries for goods that are well known or easily obtainable. If every trade were properly organised, each would have its own commercial intelligence branch, staffed by men who understand the trade and who alone are able to collect such intelligence as is wanted by each particular industry.

The relations of the Government to trade want putting upon an entirely new basis. A new national organisation should therefore be established which will retain all the sterling qualities of our present system, and add to them the necessary force to ensure greater activity.

"The improved organisation that is now suggested would contain nothing that is new or untried. It would consist of natural developments of what already exists. Employers and work people have organised themselves into associations and unions; some of these have developed federations of similar or even of unconnected interests, and both parties have their national congresses, or at any rate, the germ of them. The demand now is that the organisations already in existence be perfected."¹

In considering the possibilities of a connection between the State and trade, the question of initiative arises. I am frequently told that the first step should come from the trades themselves, that there ought to be a general demand on the part of the trade unions and associations for Government recognition and help. I believe that the initiative must come from the Government. Manufacturers are interested in prices, workpeople are interested in wages, and both have done a great deal to promote their respective objects. I suggest that there is a more important interest in trade than either of these two, the interest of the nation, and that the nation as Third Partner should take active steps to promote that interest.

¹ Professor Kirkaldy.

CHAPTER VII.

GETTING RID OF SHIBBOLETHS.

"THE readier we are to cut away from the past, the better are we likely to succeed," says Mr. Lloyd George; and in attempting to study the question of trade it seems to me that one of the first things to do is to clear the mind of several old ideas. August, 1914, marked the end of the trading world as we knew it. Certainly in matters like money or production, the terms and figures with which we were familiar are now useless. We are already doing all sorts of things which a couple of years ago would have been scouted as impossible. I remember a conversation with a financier in the autumn of 1914, who gave me the comforting assurance that the war must come to an end in the first few months of 1915, for the simple reason that by that time all the available money would have been used up. Since those days we have all learnt that there is no such thing as money: it turns out to be nothing but a lot of book entries in a bank. A Government which within the re-

collection of each of us was content with £90,000,000 a year, now spends nearly £3,000,000,000 a year; the ammunition which was sufficient to carry through the whole of the South African War is now used up in a few days, and everything is altering in the same sort of proportion.

Does it not, therefore, become needful to recognise that old arguments, old theories, and old standards do not necessarily apply to the present or the future?

We have for generations occupied ourselves with discussions on work and wages. I submit that that subject now becomes a comparatively minor issue. We are face to face with the much greater question of our very existence as a trading nation. The problem to-day is not only the distribution of wealth, but, even more important, the actual making of wealth. Writing in 1843, Carlyle declared:—

“ This largest of questions, this question of work and wages, which ought, had we heeded Heaven’s voice, to have begun a generation ago or more, cannot be delayed longer without hearing earth’s voice.”

For over seventy years we have continued “ this largest of questions, this question of work and wages,” and if one is to believe some of the debaters on the matter, very little progress has been made with it.

I think that most of the discussions on this subject in the past have missed the real point.

Too many students of economics have a way of dealing with money or with goods as if they were fixed quantities, and for seventy years they have argued about the possession of these supposed fixed quantities, with the result that we are still in the stage that Carlyle had reached in 1843. Far too little attention has been paid to the question of Production.

Wages and profits are one and the same thing. There should be no antagonism between them: they are wrongly conceived as robbing one another. They both depend upon output and organisation.

Perhaps, before proceeding further, it would be well to define the scope of our inquiry into trade, to define what we mean by trade and commerce. Some people, especially politicians, are inclined to think that when they deal with railways, shipping, insurance, banking, weights and measures, bankruptcy laws, patents, trade marks, and various other general commercial questions, they are dealing with trade. But these things, although of the utmost importance, are really only incidents of trade, by which term we shall mean the selling and making of goods.

Note the order in which I place these two functions. The law of supply and demand requires first a demand and then a supply, but the word "demand" used in this connection is, I think, unfortunate. It is at least open to a good deal of misconception. There is room for a new branch of economics which would recognise that

the problems of selling rival in importance the problems of production. This point has a vital bearing on many questions. The limitation of output by Trade Unions was justified by the fear of a glut due to inability to dispose of the work produced. A glut of manufactured articles is only possible where there is failure in the selling part of the organisation.

To bring the law of supply and demand right down to modern conditions, one example will suffice—the American typewriter. If you will take your minds back to the days when the American typewriter manufacturers were attempting to introduce their wares into this country, you will remember that they were received with small favour. The most aggressive advertising, the most elaborate selling schemes, armies of travellers, machines on free trial, and all sorts of devices, were adopted to persuade the conservative Britisher that it was desirable or advisable to use a machine for the purpose of writing. Less than twenty years have been sufficient so to alter the position, that the trader who declines to use the typewriter cannot even get his correspondence read.

Now if the American had accepted the usual British interpretation of the law of supply and demand, this country would be without its typewriters to-day; but the people at the back of that movement recognised that that law was not only concerned with some urgent demand which existed by nature, but that it was possible to create

demand and then provide the supply. We have to stretch our imagination to the day when every Chinese will be on the 'phone, every Patagonian baby will need a perambulator, and every Zulu a motor-bicycle. The interest of the State in trade is that we should supply such goods instead of the German, the American or the Japanese, and the question for the State to answer is, "How are these things to be done, and who are the people to do them?"

There is one other old idea that wants careful examination. If one is to believe the newspapers, we are all engaged in giving up old shibboleths, discarding old fetishes, and I think that the fetish of the consumer has had its day. There is something which appeals to the soul of an economist in the consumer, while the poor producer is almost invariably a rogue. Surely, judged by national values, the producer is more important than the consumer. I have great hopes that the experience of the last couple of years will have enabled us to form an entirely different conception of the respective positions of the producer and the consumer. In the supposed interest of the consumer, we have as a nation done everything that was possible to discourage, thwart, hamper, and, indeed, abuse the producer. I suggest that there is a subject here which might be re-stated with advantage, and it might be possible to show that the true line of economy, the line of the greatest good, and the line of real cheapness, is along the road of en-

couragement for the producer and comparative disregard of the consumer.

The attitude of the past has been an attitude of antagonism to every form of trade association or any attempt on the part of manufacturers to combine or co-operate, while nothing but blessings have been poured upon the head of everything in the nature of an association of consumers, co-operative societies, and the like.

Then there is the question of the State's interest in industry. The professors who have provided us with the literature of economics pay all too little attention to this side of the subject. The *distribution* of wealth has filled columns: the *creation* of wealth inches.

It seems to be nobody's business to inquire why typewriters should all be made in America, or (until the war) optical glass in Germany. Our industries have come to us by accident, not as a result of any effort on the part of the State. A local authority is set up to see that the infant mortality rate of Guildford is kept low, but no authority exists to regulate the death-rate in the fancy leather trade. The public police force sees to it that we do not steal each other's watches, but if the Japanese steal our best-known trade marks and thus filch our Indian customers, the nation takes no cognisance of the matter. The nation insures the working man against influenza but does nothing to insure his means of livelihood against German Cartels or American Trusts.

Official Trade Councils will provide the State with the means to guard and secure the national interest in industrial prosperity.

To recapitulate these five points. First, we have to start thinking in terms and quantities which are entirely new. Second, the problem is not only a question of work and wages but of our national existence; not only the distribution, but the creation, of wealth. Third, we have to recognise that of equal importance to supplying the demand is the work of making the demand. Fourth, the relative national values of consumer and producer may require to be reconsidered. Lastly, there is a State interest in trade which has not hitherto been recognised.

CHAPTER VIII.

THE OUTCRY FOR ORGANISATION.

WITHIN the last few years there has arisen from every quarter a demand for organisation. Many years ago John Stuart Mill said :—

“ The peculiar characteristic of civilised beings is the capacity of co-operation ; and this tends to improve by practice and becomes capable of assuming a constantly wider sphere of action.”

The subject was made fashionable in August last, by Mr. Asquith, who, speaking in the House of Commons, laid particular emphasis on the development of trade associations for common action at home and abroad and for raising the average standard of production.

“ The speculation of the time,” says Professor MacGregor, “ is round the problem how far or how much farther the method of industrial grouping and the aspirations of associated life can be carried. While at the beginning of the century the problem was to find a hearing for the

advocates of combination, at the end of it the problem of legislators and teachers is to guide the movement.

"Since it is evident that many of these defects of industrial competition are due to separateness of organisation and policy, it is a matter of course that combination or a further degree of combination is necessary to their remedy. . . . Any common government of this kind will tend to prevent not only those depressions which come from over-trading under the influence of competition and risk, but also those forms of panic that are due rather to the fear of bad market conditions than to actual conditions."¹

The authors of "The Elements of Reconstruction" say :—

"The ruling idea to adopt in our national policy, the idea about which the rest of our policy can be built as a body is built upon a backbone, is the idea of national syndication, the idea of grouping and amalgamating our industries, our food supply, and our labour organisation, upon a national scale. Only upon those lines can we hope to make our industries scientific and progressive, defeat foreign competition, secure a satisfactory home food supply, and come to an understanding and keep the peace with labour. The alternative to such a reconstruction boldly and openly planned and carried through, is decadence and Imperial disintegration. . . .

"Our view is that these great economic syndications upon a national scale, which is the only possible means of saving and developing the British Empire against the dangers and competition which threaten it, must be settled and can only be settled with the understanding, participa-

¹ "The Evolution of Industry."

tion and consent of both labour on the one hand, and the existing proprietors, directors, and managers concerned in these economic systems on the other. It is absurd to suppose any sudden and violent change of system in these things; the arrangements of yesterday are the only possible material we have for the arrangements of tomorrow. We want to see labour inspired and stimulated by our new sense of common needs, in conference with capital, quickened by a sense of extreme national danger, upon these great constructive projects."

Lord Milner, in an Introduction to these letters, says :—

" We seem to be more than ever in need of a synthesis, of some unifying principle, else we may easily find ourselves pursuing a number of ends which, though perhaps individually commendable, are incompatible with one another. . . . From the heart of the business world itself come the most urgent warnings against excessive unregulated competition and the loudest appeals for organisation on co-operative lines and for the helping hand of the State."

Mr. Harold Cox, in an address to the Institute of Civil Engineers, declares :—

" Just as we cannot afford to leave to individual enterprise the defence of our country against war, so we cannot trust to individual enterprise alone to solve the industrial problems that will follow the establishment of peace. There must be some kind of collective effort to deal with problems of such magnitude as these will prove themselves to be."

Sir William McCormick, in his Report upon the work of the Advisory Council, says :—

“ We wish to point out that there are specially strong reasons for more co-operation between the various British firms in each industry and between the industries and the State in the furtherance of research. . . . Organisation can only be fought by counter organisation, and so long as the Englishman treats his business house as his business castle, adding to its original plan here and there as necessity or inclination directs, with his hand against the hand of every other baron in his trade, and no personal interest in the foreign politics of his industry as a whole, it will be as impossible for the State to save him, whether by research or other means, as it would have been for King Stephen to conduct a campaign abroad. In the main the State can only effectively help those who help themselves. . . .

“ We think it possible that the voluntary efforts of manufacturers in friendly union which enabled the problem of munitions to be rapidly solved, may lead to a new kind of reciprocity between firms which will avoid the evils both of monopoly and of individualism. . . . The forces which are at work in this direction have elsewhere found their expression in connection with the Trust and the Combine, but we believe if the real nature of these forces is clearly grasped that it will be possible to organise them for the benefit not only of the industries but of the nation as a whole.”

One could multiply indefinitely quotations of this kind, but the following short selection will suffice to show how the same idea is running through many brains—brains which, it will be noted from

the names given, do not always or often think in the same direction.

The late Lord Mayor (Sir Charles Wakefield), at a Meeting of the Engineering Industry at the Mansion House on September 20th, 1916 :—

“ How to make the most effective economic use of this great group of industries, capable of affording well-paid employment for two million workers, is not merely a question for company directors and trade union officials ; it is a national and an Imperial duty and responsibility.”

Dr. William Garnett, in an article on British Trade and Applied Science in the *Daily Telegraph*, on January 19th, 1916 :—

“ What machinery have we for the organisation of British Industry capable of dealing with all the separate trades, and especially with those problems wherein two or more trades have a common interest, or would have if they realised their true relationship ? . . . Cannot such an organisation be created by British Industries in the interest of British Industry ? ”

Sir Joseph Compton-Rickett, in the *Contemporary Review*, May, 1916 :—

“ Hitherto our national trade has been left to the enterprise of individuals. They have not had the means at their disposal for determining over-production or under-production. . . . It is only the Government of a country which can efficiently survey the entire field of operation, and so co-ordinate the efforts of the commercial world.”

Mr. W. N. Hughes, Prime Minister of Australia :—

" Let us, resolutely putting aside all considerations of party, class, and doctrine, without delay proceed to devise a policy for the British Empire, a policy which shall cover every phase of our national, economic, and social life ; which shall develop the tremendous resources and yet be compatible with those ideals of liberty and justice for which the men of our race now, in this, the greatest of all wars, are fighting and dying in a fashion worthy of their breeding."

Sir Algernon Firth, President of the Association of Chambers of Commerce, in *The Times Trade Supplement*," April, 1916 :—

" We have had no constructive Imperial policy with regard to trade and commerce, nor any organised attempt to develop our trade and protect industries of vital importance to the country. . . . What we have now to do is to exert ourselves in an ordered, practical, and determined manner in order to maintain that leading position in the commerce of the world which we have held for so long, and which is vital to our continued extension as an Empire."

Mr. Steel-Maitland, M.P., Under-Secretary for the Colonies, in an Inaugural Address at the Glasgow School of Social Study and Training, October 13th, 1916 :—

" The responsibility for the solution lies upon all the people, because the task after the war is to try to organise

our relations internally, inter-imperially, and internationally, as a democracy, with the same science and skill as hitherto have been given to an autocracy. To do this above all we need knowledge, and with knowledge we must combine enthusiasm."

Sir Leo Chiozza Money, M.P., in the *Evening Standard*, July 24th, 1916 :—

" The value of association in industry has been recognised in nearly every branch by the formation of Federations of Manufacturers. It would be a practicable and sensible step to give official recognition to all responsible trade organisations. . . . The war has proved how helpful State organisations can be even to the most enterprising private adventurers. It would have been absolutely impossible to have attained to the remarkable output of munitions which is now actually taking place if the matter had been left to competitive enterprise."

Mr. H. Wilson Fox in *The Times*, September 28th, 1916 :—

" Can it be right to continue to pursue a purely passive State policy, and to allow all our national resources to be dealt with by individuals in a haphazard and uncoördinated manner without regard to State needs and State opportunities? It certainly cannot be right to assume that what is must be, and that directions in which State capital and management can be employed directly with advantage for the production of wealth cannot be found."

Sir George E. Foster, Minister of Trade and Commerce, Canada, in the *Canadian Gazette*, August 3rd, 1916 :—

" We must in all ways fit ourselves in this Empire to meet rivals from whatever quarter they come—be as intelligent, skilful, resourceful, ready in organisation and as fully mobilised as they can be, and, if possible, more so. . . . After peace comes, there will be all the greater necessity for getting together, working together, thinking together, with one common ideal and one common purpose."

Professor A. W. Kirkaldy, in a Presidential Address to the Economic Science and Statistics Section of the British Association :—

" As the war developed there has been a growing tendency to demand organisation in every sphere of national life. . . . Business, like everything else, is subject to evolution, and evolution on healthy lines can only be obtained by grasping fundamental facts and applying experience in accordance with economic laws. There need be nothing revolutionary about the required changes in our business organisation. We merely have to note what has already occurred, mark healthy tendencies, and clear away or prevent obstructions to natural growth."

Professor J. A. Fleming, in an Address to the Society of Engineers, on May 1st, 1916 :—

" No one who has studied even casually, the German methods can fail to admit they have realised fully in commercial matters that union is strength. . . . Our ideal

has been largely individualism and competition, theirs has been organisation and co-operation. . . . The first condition of success must be association and combination, and the second the scientific method in all things."

Mr. George H. Roberts, M.P., in the *Evening Standard*, October 20th, 1916 :—

" It is encouraging to observe the many signs of awakening to the fact that our industrial system was deficient in many respects. . . . Employers are realising the necessity to utilise in larger degree the discoveries of science, together with greater initiative and better organisation of processes. . . . British brain, skill, and ingenuity have proved equal to the world's greatest emergency. British labour also is capable of as high efficiency as the world contains. With cordial co-operation national productiveness can be almost indefinitely expanded."

Dr. Dugald Clerk, Chairman of the Council of the Royal Society of Arts :—

" It is necessary that we should as a nation, recognise more fully the importance of co-operation and coordination in both abstract and applied science. We are intense individualists and our great success in the world is largely due to that quality ; it has, however, its drawbacks, and we have arrived at a stage of development in both science and industry where united effort would aid us rapidly to improve our scientific and industrial position."

Mr. Sidney Webb, in the *New Statesman*, April 28th, 1917 :—

" A survey of the whole field makes it clear that there is a very real, and, as we venture to think, an ever-widening

sphere for the Professional Organisation of brain-workers in the Control of Industries and Services in the modern State, although not exactly the sphere to which its most enthusiastic adherents have aspired."

Professor Ripper, Vice-Chancellor of the University of Sheffield, at the Royal Society of Arts on May 9th, 1917, spoke of

"The national organisation of our industries, each industry being represented by its own organisation and association, and the whole centreing round a Government Department of Industry and Commerce."

Such a weighty mass of opinion calls for more consideration on the part of the Government than the subject has so far received. These and many other similar utterances have caused industrial interests to come together to an extent never reached before, and the movement now cries aloud for Government recognition and regulation.

CHAPTER IX.

DIFFERENT SCHEMES.

THERE are at present before the public dozens of well-thought-out suggestions for the organisation of trade.

That which has received most attention in the Press is probably Mr. Sidney Webb's "How to Pay for the War." Mr. Webb has, so far, confined his attention to the railways, the Post Office, the coal supply, and one or two other great national services, and apart from an obvious and probably intentional failure to grasp the problems of profit and loss, his schemes are full of interest. But they hardly touch what I submit is the far larger question of the organisation of trade. Mr. Webb, like so many great thinkers on these matters, appears to forget that the railway which carries the goods is a comparatively small part of the problem of producing and selling.

Next, perhaps, in importance as a contribution to the subject are the letters on "The Elements of Reconstruction," to which I have already referred. These letters are chiefly useful for their masterly

criticism of existing institutions. When the authors proceed to demolish the Houses of Parliament and reconstruct a system of representation by trades instead of by districts, they appear to me to get out of the range of the practical.

The exhaustive Report of the Garton Foundation is full of suggestions which require to be studied. The authors of this document, after a full inquiry into most of the problems connected with social unrest, come to conclusions which are very similar to those which are here submitted, and set up industrial councils for the control of industry composed of masters and workmen.

"The field of action open to these Councils would be very great. It would extend, for instance, to:—

- "(a) The suggestion and consideration of improved methods and organisation.
- "(b) The maintenance of works discipline and output.
- "(c) The maintenance of a high standard of design and workmanship.
- "(d) The education and training of apprentices, and the conditions of entry into the industry concerned.
- "(e) The demarcation of tasks.
- "(f) The prevention of unemployment, the development of security of tenure in the trade, and the decasualisation of labour.
- "(g) Questions of wages and piece rates.

- “(h) The prosecution of research and experiment, and,
- “(i) The improving of the public *status* of the industry.”

Mr. H. E. Morgan, in a book entitled “The Munitions of Peace,” has elaborated a scheme, which is at least quite practical, for the establishment of a National Trade Agency. This body, which would have a constitution very similar to the Port of London Authority and other semi-Governmental institutions, would take charge of the work of selling the product of British industries abroad, would supersede the present Consular Service, and organise our foreign trade for us. Mr. Morgan’s scheme has the weakness which is common to so many of these proposals and so many present-day movements, that it attempts to deal with all trades and ignores the fundamental principle that the only way to deal successfully with trading problems is trade by trade, one trade at a time.

Then there is the movement known as Guild Socialism, and a whole series of books among which that by Farrow and Crotch on “The Coming Trade War” demands attention. These authors lay themselves open to the criticism that they devote too little attention to the improvement and organisation of our internal arrangements and too much to the question of tariffs and protection against foreign competition.

Mr. Wilfred Stokes, President of the British Engi-

neering Association, in a pamphlet which bears the same title as Mr. Sidney Webb's book, although it was published long before the latter, sets out the case for a Board of Industry. He would have a permanent President, some man of great business ability, with the rank of a Cabinet Minister, assisted by fifteen leading men of business as a Council, representing the industries of agriculture, banking, building materials, chemicals, cutlery, electricity, engineering, foodstuffs, hardware, iron and steel, leather, paper, railways, shipping, and textiles. To this Council he would add one representative each for our Overseas Dominions. There would be a Parliamentary Secretary, a Permanent Staff with attractive salaries, and a large staff of Trade Commissioners and Trade Correspondents in each of the Dominions, Colonies, and foreign countries.

Sir Leo Money, in discussing the need for a Minister of Commerce in the *Evening News* of July 24th, 1916, said:—"How is a practical means to be devised for such a Ministry to keep in practical touch with our industries? A means lies ready to our hand. The value of association in industry has been recognised in nearly every branch by the formation of federations of manufacturers. It would be a practicable and sensible step to give official recognition to all responsible trade organisations, and for the Ministry of Commerce to have statutory powers of representation upon their executive committees. There is no reason why we should not go further and see to it that every firm engaged

in an industry becomes a member of the trade federation."

But by far the most important of all these suggestions is that which is made by the Committee of the British Association which dealt with the subject of industrial unrest, and which reported to the 1916 meeting through its chairman, Professor A. W. Kirkaldy. For the improvement of existing industrial organisation they suggest that :—

" Employers should be organised into—

" (a) Associations of one trade in a given district.

" (b) National Association of one trade.

" (c) Local Federations of trades.

" (d) National Federations of trades.

" Of these (b) and (d) would be organised under a system of representation.

" Workpeople should have unions and federations corresponding to those of the employers, and in both cases the National Federations should be carefully organised councils enjoying a large measure of authority, tempered by the necessity to win and preserve the confidence of their electors.

" From these two representative bodies there could be elected an Industrial Council as a Court of Appeal, representative of the whole industrial activity of the country. So far as these various bodies were approved by the State they would enjoy far-reaching powers.

" Approval by the State should depend on the

observance of moderation and the working in conformity with carefully devised regulations. For the State in this matter would be the representative of the consumer and of the national interest. Under this system, workpeople would enjoy all the advantages aimed at by the extreme party, such as the syndicalist, but the dangers and risks inseparable from a revolutionary policy would be avoided."

The Builders' National Industrial Parliament, referred to elsewhere, is a scheme which has actually materialised. This body brings labour and capital together for the general discussion of questions affecting the welfare of the industry, and sets an example which might well be followed in every industry. Mr. Malcolm Sparkes has, undoubtedly, attained as near to the ideal as is possible on the voluntary principle. It remains to be seen whether the Builders' Parliament, or similar bodies in other industries, will be able to exercise a sufficient influence over their respective constituencies while they lack authority and a perfect representative basis.

Putting all these schemes together, one arrives very easily at the conclusion that the theories underlying the ideal solution of the industrial problem are, first, the adoption by the State of a direct interest in the industries of the country, and, second, the introduction of the representative principle into trade: and we begin to see the

true functions of the Government in the matter. If Governments would only give up the habit of dabbling in actual trading and would confine their activities within a proper sphere and make a study of some of these suggestions, they would, I think, come to the conclusion that their duty is to set up in each industry a representative authority, charged with the work of promoting the prosperity of that industry for the benefit of the nation.

"Many voices are crying for large and showy schemes," says *The Times*, in a leading article on August 5th, 1916. But "a live system must grow from within and must have life at the heart. The trade organisations that are spontaneously forming now point the right way. They are at the heart, and they show that it is alive and vigorous. A real working system will grow out of them with the co-operation of other factors."

All experience shows that the way of progress is the road of combination and co-operation. The only question is the particular sort of combination which we shall adopt. We can copy America, we can copy Germany, and begin a couple of generations behind to compete with them in their own way. Or we can profit by their experience, coupled with our own, and devise a new system of joint endeavour on the part of the individual and the State, which is better than anything that has been attempted in the past.

In considering the schemes for the reconstruction of industry it must not be assumed that sim-

plicity is necessarily a recommendation. Progress in trade involves a continually increasing complexity. Success will only be achieved by continual processes of division, separation, and specialisation, and the highest forms of industrial development will only be reached when every productive operation has arrived at the limit of division and dilution.

The history of trade is the history of organisation—organisation which started in a very small way, which progressed very slowly, and which has gradually become more complicated and its development more rapid. Adam was his own farmer, tailor, baker, builder, and banker. Organisation has gradually raised this standard, and is performing what at first sight appears a miracle. It provides us all with clothes, food, houses, and other necessities, in quantities far in excess of what we could ourselves provide for ourselves if we devoted the whole of our lives to that sole object.

As civilisation progresses, the standard of comfort is raised, and every generation demands more goods. This demand is a progressive demand. The mere growth of population makes necessary devices and resources for a gross increase in the volume of goods made, while the raising of the standard of comfort intensifies the need.

The organisation of industry is the reply to this problem. The present-day workman works less hard than did his predecessor, while, at the same time, he consumes far more goods. The problem

of the future is not to make everybody work harder, but so to arrange their efforts that the production shall be greater.

A favourite line of argument with a certain type of reformer is to point to the wastefulness of a system which demands the middleman, the speculator, the broker, the agent, and numerous other intermediaries. We are all familiar with the type of Socialist who would cut out everybody but an all-providing State and the consumer.

But the fallacy of this line of argument is exposed if you will admit the proposition I have just laid down, that the present-day workman works less hard than his predecessor and consumes more goods. The natural course of trade will be to multiply intermediaries. As organisation and science are better understood and practised there will be more middlemen, more thinkers, more inventors, more designers, more speculators, and more managers than ever.

A system which aims at the elimination of all these intermediaries is a backward movement and not a forward movement. As trade becomes more and more complicated, more and more divided, as new industries arise, as old industries are split into parts, the little man who does nothing but keep his office and think will become more and more of a national necessity. This little man, who has the chance of a fortune and the fear of bankruptcy always in front of him, is an enormous asset. He is responsible for most of the progress the world has

made in the past, and any system which aims at his elimination is, I submit, a bad system.

The problem is to organise all these people, to make the greatest possible national use of them, to encourage and help those processes of development in which they are engaged.

CHAPTER X.

LABOUR.

SUCCESSFUL organisation of industry is out of the question unless the co-operation of labour can be secured. Satisfactory working arrangements with labour can never be made until bodies representing capital and management of equal standing with the trade unions have been brought into existence. The establishment of thoroughly representative trade associations and unions would make possible the creation in each industry of governing or controlling bodies composed half of masters and half of men, Trade Councils, which would be responsible to the Government for the welfare of each trade.

The demands of labour are generally erroneously expressed as demands for money—wages.

Finance has for too long been supreme in the commercial world. The so-called money market occupies a position far too important. It is in effect nothing more than the counting-house of industry. It is composed of a lot of superior book-keepers who enter up millions on both sides of the ledger and call it money. Ninety per cent. of this money does not

exist at all. Money has been aptly described as a foot-rule for measuring goods and services. The workman gets an exaggerated idea of the importance of money because in his case the bulk of his turnover actually passes through his fingers in the shape of coinage. But the demand of labour is not only for money : it is first for Status, and secondly for boots, beef, bicycles, omnibuses, or any other form of goods or services. These things all necessitate production.

Our position during the war makes the study of this problem somewhat easier. There is a limited supply of every class of goods and services available for consumption. With care we are just able to make our supplies satisfy our needs. If by a stroke of the pen everybody's income were at once doubled in so-called money, it would not make one atom of difference to the comfort or to the real wealth of any of us. The only way in which we can help the country and help ourselves to-day is to produce.

I wish some way could be found of clearing this question of money right out of the way. It is a false issue. There is authority for regarding it as the root of all evil : it is certainly the root of all confusion. In the very earliest days business was conducted by direct exchange of goods without the intervention of money. The next stage was the introduction of a means of exchange in the shape of metal tallies. We have now reached the stage when by means of banking systems we have almost entirely dispensed with the tally, and the whole thing is

done by book-keeping entries. I do not know whether it is possible that in the future some system may be developed which will enable us definitely to dispense with those incumbrances now called money. At all events, in discussing problems like this, it is of the utmost importance to get the idea of money into its proper place in relation to the whole.

The great brains that are directing the Labour Movement understand this point, and some interesting changes are noticeable. The claim of labour used to be for money. It then became a demand for a bigger share in the proceeds of industry, and latterly a more advanced plea is put forward for a share in the control of industry.

Mr. Harry Gosling, in his Presidential Address to the Trades Union Congress, used this phrase :— “ Would it not be possible for the employers of this country to agree to put their businesses on a new footing by admitting the workmen to some participation, not in profits but in control ? ” That is the very latest demand of the highest authority in the labour world.

The Report of the Garton Foundation recognises this demand and calls it a question of status :—

“ The great obstacle to co-operation is the question of status. The ill-will of Labour towards Capital and Management is not wholly a question of their respective share of earnings. Friction arising over the distribution of earnings is in

itself due quite as much to a sense of injustice in the machinery of distribution as to the desire for actual increase of wages. The fundamental grievance of Labour is that while all three are necessary parties to production, the actual conditions of industry have given to Capital and Management control not only over the mechanism of production, but also over Labour itself. They feel that the concentration of Capital in a comparatively few hands has rendered fair bargaining between the parties impossible. A man who leaves his work without reason inflicts on his employer a certain amount of loss and inconvenience. A man who is dismissed without reason may lose his livelihood. While each great firm represents in itself a powerful organisation, apart from any Employers' Association to which it may belong, the men employed by the firm are solitary units, having no power of collective action without calling in the Trade Unions representing the whole of each craft. In the last resort the only effective weapon of the Trade Union is the strike, and the loss inflicted by a strike or lock-out on the Capitalist Class is not comparable with the acute personal suffering of the workmen and their families. They feel therefore that in any dispute the dice are weighted against them."

The war has paved the way for a better understanding, and already the views of both sides are undergoing great modifications.

"There has been," says Professor Ripper, "an

enormous improvement in our methods of working, as well as in the spirit of willingness to work together and to co-operate and associate.

“ There is, however, as we all realise, the danger that after the war this spirit of co-operation will not continue, and that the subjects of dispute between Capital and Labour, when the present single aim has been removed, will be so many and so numerous as to make serious disputes more or less inevitable. If the causes of the old troubles remain, it is as certain as that night follows day that the results will also remain. The causes in the past which have led to these troubles have been too often similar in kind to those which are responsible for the great world-war. Prussian Militarism is concerned only with conquest, and disregards absolutely the human price that is paid to accomplish its purpose. So in the past our commerce, trade, and manufacture have been conducted too much without regard to human and neighbourly considerations, and for the one object only of profit on the one hand, or wages on the other. But both these conditions contain within themselves the seeds of their own destruction. There are reasons, however, for believing that wiser counsels may be, on the whole, expected to prevail. The lesson of the need of mutual co-operation has been burnt into our consciousness during this war as never before, and it seems certain that employers and their workmen who have fought together as officers and men at the Front will return to their work, not to fight each

other in industrial disputes, but to co-operate to bring about a solution of the difficulties which lie ahead by joint and friendly discussion.

"The spirit of co-operation is not a mere sentiment or theory. It has been as much a scientific necessity for the winning of this war as the provision of guns and ammunition, and it will be equally a scientific necessity to success in the arts of peace."

The Builders' National Industrial Parliament is the outstanding practical experiment in these matters, among its objects being "to promote the continuous and progressive improvement of the industry, to realise its organic unity as a great national service, and to advance the well-being and status of its personnel."

If labour could be made to see that its real need is increased production, all those wonderful powers which labour has displayed in its fight against capital would be utilised in solving the problem of production. This idea is gaining ground, as is shown by an article by Mr. T. E. Naylor, of the London Society of Compositors.

"I suggest to you," says Mr. Naylor, "that the time has come when your organisations should cease to be merely defensive and resistive, and should begin to participate actively in the development of industry. Whether this conception is new or not, I do not know. I do know that it has never been tried; and I earnestly appeal to you to give it a full trial."

If we put the problems of production in their order they are roughly as follows :—

- (1) Education.
- (2) The application of science to industry.
- (3) The elimination of waste.
- (4) The disposal of the product.
- (5) Wages.
- (6) Profits.

Now the whole nation is interested in problems (1), (2), (3), and (4). Labour and capital are equally dependent upon their successful solution. Labour and capital are equally entitled to express an opinion with regard to them, and it is not until they are solved that any question of wages or profits can arise.

I am aware that in practice wages is the first charge upon industry and profits the last, but it must be recognised that the questions I have mentioned have to be faced before either comes into existence at all. These questions have hitherto been regarded as the sole province of the management. Neither the individual labourers nor the Trade Unions have attempted to take any interest in them. I am not now speaking of the management of an individual works. It is perfectly obvious that in practice some one individual must be supreme when the question is the actual working of some particular shop. But we are discussing not the well-being of particular shops, but the well-being of whole industries. The troubles of labour arise very largely from the lack of ability on the part of the small

body of masters who have hitherto had to shoulder unaided full responsibility for the problems I have indicated. If instead of agitating for so many shillings a week without regard to where these shillings are coming from or what they mean, labour would agitate for the development of some market which has hitherto been neglected, it would achieve its object more directly and with more certainty.

My demand is on behalf of the nation for the fullest possible development of each industry. My argument is that everyone engaged in that industry ought to have the chance to take a hand in that development. My theory is that this can only be done by the introduction of the representative principle into each trade, and the setting up of authorities for the study and control of the whole trade. On these authorities labour should have an equal voice with capital.

Two quotations will help my argument. Professor Kirkaldy, in the Report of the Committee on Industrial Unrest, says :—

“Some of the workers are asking for much more than an increase in wages ; they are, in effect, asking for a change of status. They are dissatisfied with the status of the wage-earner, and call into question the actual relationship that exists in industry to-day between the different factors concerned. In fact, workpeople are taking up a position which will preclude a mere patching up of quarrels, or a mere scheme of wages adjustment.

What they aim at is a change in the relationship between employers and workpeople."

Professor MacGregor, in "The Evolution of Industry," puts the same problem in this way:—

"The relation of employment and the system of competitive enterprise imply the government of the great field of national labour by those who are not under the direct industrial control of the people. We have to ask whether it is to be the settled form of industrialism that the policy by which goods are made and marketed is to be shaped on this non-representative basis, and if the great mass of the working producers are to wait for the call and to follow the lead of this kind of enterprise."

It may be of interest to notice that the same problem is agitating the minds of the trading community of the United States, and it is particularly interesting to note that the European War and the opportunity for the development of American industry which it afforded, was used as an argument for further co-operation between capital and labour. The Report of the Conference of the National Association of Manufacturers of the United States of America says:—

"May we not hope that both labour and capital will come to a prompt realisation of the vast importance to their interests of the unusual opportunity afforded to this country of developing

its foreign commerce, and that with a clear understanding of competitive conditions, they will work in closer harmony to the same great end ? ”

The Trade Councils, which it is the object of this book to promote, will have to study many subjects besides wages and profits. There will arise with their creation a politics in every trade, a politics in which labour, management, and capital will have an equal interest. Education, science, foreign competition, costing systems, standardisation, waste of materials, new processes, Government regulations, works practice, trade customs, and many other subjects, will be debated week by week and month by month at the meetings of each Trade Council, and the numerous subsidiary committees.

The opportunity of participating in these discussions should do much to remove that feeling of inequality of status which is at the bottom of most industrial unrest. This opportunity would be the answer to Mr. Harry Gosling's request that labour should take a share in the control of industry. A very long acquaintance with representative masters and men leads the writer to believe that more than half of the wisdom in these Trade Council debates would be found to come from the labour bench. If it could be established as a guiding principle that the welfare of the industry was the important thing, that wages and profits both depended upon that welfare, and that the representatives of wages

and profits were equally responsible for that welfare, then the whole relations of capital and labour would be changed.

There is no suggestion here that labour or capital should either of them sacrifice their independence. There is nothing in these proposals which would rob the Trade Union of the right to organise a strike or the Employers' Association of the right to order a lock-out. All that is done is to bring the two parties into permanent consultation upon a statutory body charged with debating, not their differences, but those subjects which can be described as common ground. Masters and men to-day never meet except to discuss the eternal questions of wages and profits. They never meet except as representatives of opposing and conflicting forces. If it were possible to bring them together as the joint trustees of the nation in these other matters that I have indicated, it would surely be found that the differences between them which now occupy too much of their attention would be capable of adjustment.

It is of course understood that in the industrial development which it is hoped to promote by means of these Councils, there must be a higher scale of wages than has prevailed in the past. This alteration would, in fact, be automatic, because in discussing the possibilities of an increase of output, the labour representatives on the Trade Council would see to it that the profits from that increase were properly apportioned.

Limitation of output, as I have observed elsewhere, is a crime which must be charged against the masters as well as against the men, and labour when it gets a voice in the control of industry will be careful to see that there is no limitation of output with a view to the holding up of prices, a system which has robbed the population of many comforts that it might otherwise have enjoyed.

The criticisms of labour on selling arrangements will be interesting and valuable. Labour representatives on the Trade Councils will have a far better conception of the needs of the public, and the lines upon which manufacture should therefore be developed, than the masters. Labour will represent in a very true sense the great buying public, and the greatest difficulty of the manufacturer in the past has been to gauge the likely trend of public opinion and thus the probable movements of the market.

The moral effect of these elected Trade Councils will be tremendous, and it is a higher moral tone that is wanted to settle the great capital and labour problem. The antagonism of capital and labour has a sordid influence upon our public life. If the nation would only step in and say to both: "Make the public and the national welfare your first care, and then look after yourselves," the effect would be to lift the whole discussion on to a higher plane. It should be more generally recognised that the employing classes have no monopoly either of virtues or brains. Indeed, if it were possible to analyse

half a dozen workmen and half a dozen employers it would be found that the workmen would contain a higher proportion of the true Christian virtues, although the employers might hold the record in the matter of church attendances. Give the workman the opportunity to know, take him into your confidence, let him study the real problems of industry, make him understand that he is an agent for civilisation, and he will not fail to respond. The £100 per head of exports and the £500 per head of production, which we ventured to set before ourselves as an audacious ambition, would become a practical possibility if the workmen were admitted to their proper place in the control of the national industrial activities.

There is no doubt that the future depends upon co-operation between capital and labour. The State can now bring this much-desired result about, by recognising the organisations of both and uniting them in joint controlling bodies.

CHAPTER XI.

ASSOCIATIONS OF TO-DAY.

IT is a little difficult to reconcile the outcry for organisation which we have noted in a previous chapter with the fact that there are in existence to-day thousands of associations and societies whose main object is presumed to be the organisation of trade. The war has brought an enormous accession of strength to this movement, and every new Government Order brings fresh members to some trade union or trade association.

Leaders of thought call aloud for organisation, traders flock to join their federations: and yet we are not organised. Why?

A certain President of the Board of Trade in a recent private conversation supplied the answer to this conundrum. "A difficulty arises in connection with some article," he said, "and after studying it I send for the officers of the trade association affected. I hear their views; they convince me of the wisdom of a given line of action, and accordingly I make an Order and congratulate myself on a good day's work. But no sooner is the Order published

than fifteen other bodies of whom I have never heard before begin to bombard me. They insist that the people whom I have seen do not represent them, that I have been 'had' by the wrong lot, and that I ought to have made an Order in the contrary sense to that which I have adopted."

This perfect picture of what happens daily in almost every Government office sums up the whole difficulty. The trouble can be expressed as the *absence of the representative principle*. In trade nobody represents anybody. The position was accurately stated by Mr. W. L. Hitchens, Chairman of Messrs. Cammell, Laird & Co., in an address to the Incorporated Association of Headmasters, when he said that "he could not claim that his views represented those of the business world. Indeed, he did not know what the views of the business world were, for as things were constituted to-day there was no means of ascertaining the collective opinion of the business world on any given subject."

A glance in passing at the present position of the trade association movement in the United Kingdom and elsewhere will enable us to form a better judgment on the suggestions for a system of Statutory Trade Councils, Unions, and Associations under a Minister of Commerce, which it is the object of the present writer to promote.

The greatest difficulty which confronts the organiser of a trade association in this country is the peculiar characteristics of the Briton. He has been for so long accustomed to play his own little

hand that he does not take kindly to the idea of co-operation. But among the many changes which have come over us in the last two years, one of the most marked is a greater willingness to co-operate, and to work in union with others. The difficulties of carrying on business at all in a state of war have forced many business men to seek the help of fellow-traders. As a result the association spirit is more strongly developed to-day than ever before, and it is possible to put forward a suggestion like mine, which almost amounts to compulsory membership of a trade association, when two years ago such a suggestion would have been entirely impracticable.

The existing associations divide themselves naturally into two chief classes. First, there are those like Chambers of Commerce which are concerned with all trades, and secondly, the particular trade association which deals with the interests of one particular industry.

There is another later development, an attempt to federate trade associations. This, however, does not appear to have met with much success. There is already a very powerful federation of Trade Protection Associations, societies which are concerned with the giving of credit and the collecting of debts, and the winding up of bankrupt estates. These Trade Protection Associations, however, must not be confused with the class of trade associations we are discussing.

The British Empire Producers' Organisation is a body of some importance which aims at securing

the adhesion of the various trade associations of the country. The Federation of British Industries is a still more pretentious movement. This started after the outbreak of war as the Institute of Industry, and had the advantage of a speech from Sir Edward Carson at its inaugural luncheon. It subsequently became the United British Industries' Association, and was widely advertised on account of the fact that it required £1,000 subscription. Its latest title is the Federation of British Industries, and the subscription has, I understand, become £100.

When we come to study the trade associations proper, we find some thousands of bodies with very varying objects. At the head of the list should be placed a group of strong societies which I class together as Price Associations. They are most of them the work of a clever body of accountants in Birmingham, who have succeeded in getting the Bedstead Trade, the Light Castings Trade, the Fender Trade, and probably a dozen other industries into well-organised combines, and in regulating the prices of the output. These combines exist admittedly for the simple purpose of the regulation of prices, and while in some cases they do other useful work the basis of their organisation is price maintenance.

Some of these associations have the most interesting arrangements with labour. The Bedstead Federation is notable in this respect. Not only have they succeeded in satisfying labour with a sliding scale based upon the market price of bedsteads, but

they admit the labour leaders to a share of the control of the industry, and in that way arrange a complete boycott of non-associated firms so far as labour is concerned.

Passing from these Price Associations, the next most important series consists of those societies which have their being simply for the purpose of fighting labour. After these comes a variety of bodies, some of them local, some of them national in their activities, and most of them having special objects arising out of the peculiar needs of their particular industries.

Another class of movement is to be noticed in local activities. For instance, we get the City of Nottingham appointing an Industrial Council and an Industrial Development Officer.

But the latest and the most interesting trade association is to be found in connection with building. There has within the last few months been established a National Industrial Parliament for the building industry. This body is to have the support of most of the trade unions connected with building as well as of the masters' associations. It is the most serious and the most promising effort that I have come across for the settlement of outstanding differences between capital and labour. It remains to be seen whether as a purely voluntary body the Builders' Industrial Parliament is open to the danger which has proved fatal to most voluntary bodies, that it depends upon the energies and enthusiasm of its promoters and their successors to keep

it in being ; whereas if it could become a part of our constitutional arrangements, be continually subject to the introduction of new life by the process of election, its future and its continued usefulness would be assured.

Looking broadly at the whole Association Movement as it is to-day, one must come to the conclusion that it is a failure. The only bodies that can claim any real practical achievement are the "Price" Associations, and these are obviously of a dangerous and undesirable nature. The first necessity is lacking in all other cases. The prime essential in any public body is an element of authority, a status, a definite responsibility.

This essential is provided when prices are taken in hand by the creation of a pool, with fines and penalties and other conditions, but those societies which do not go the length of that process, lack any means to keep the trade together, to secure respect for their decisions, or even to secure the nominal adhesion of the majority of their constituency. These conclusions are drawn not from a few isolated cases, but from a full study of the whole extensive movement. The result is that trade associations crop up and die down with a rapidity and regularity which is both perplexing and discouraging to the believer in co-operative action. The need for association is felt and admitted by all, and yet the failure of associations in trade cannot be seriously disputed.

It is for the Government to give the answer to this conundrum. If trade organisations were recognised,

if they were put upon a representative basis, if they were made part of the constitution under which we live, they would prove to be the most valuable of all the public authorities.

British trade associations, taken as a whole, suffer by comparison with German and American bodies in exactly the same way that British individual businesses often compare unfavourably with more recently established concerns in newly developed countries. There are among them so many different grades. They have not had the advantage of recent establishment upon the most approved system. Nevertheless, there is the basis of a national system of trade association, a basis upon which the Government should build the national trading machine that is now so urgently required.

The present position is very admirably summarised in an article on Capitalism after the War, that appeared in the *New Statesman* of February 3rd, 1917:—

“Another development of capitalism, to which the Government is extending no little encouragement, is the systematic association of all the manufacturers of an industry into a single body, for the collective management of the whole industry within the United Kingdom. The Committee of the Privy Council for aiding scientific and industrial research finds considerable difficulty, without such associations in the several industries, of getting rid of the million sterling which the Government has

allocated for this purpose. The secretive methods of the various employers within an industry, each anxious to reserve for himself all the advantages from which he can possibly exclude his British rivals, place all alike at a disadvantage against the well-organised Cartel or Trust which, in Germany or the United States, so often controls the whole of the national output. It would be much more convenient to the Government, it would facilitate the employment of scientific experts and enable experiments to be conducted, if all the competing firms would combine, at any rate for specific purposes. They might unite, it is being authoritatively suggested, for representation in foreign countries, and agree to 'pool' their export trade.

"The active encouragement of the Government to this policy of an associated industry is now being manifested by all departments in all sorts of ways. Association is accordingly proceeding at a great rate. Sometimes what is formed is a mere scientific society, for promoting research and experiment for the common benefit of all the manufacturers in the industry, and for putting up a fund from voluntary subscriptions to meet an equivalent Government grant. Such a scientific society of manufacturers in a single industry very quickly takes on other functions, and easily becomes the starting-point for price agreements, pools, and eventually a Cartel or a Trust.

"Now, this steadily progressing substitution of

Trusts, Cartels, or mere associations of particular industries for the crowd of jostling competitors on whom we have been accustomed to rely—a substitution which the Government is now half-consciously fostering—is, doubtless, an inevitable development. In so far as it means the substitution of deliberate order and system, knowledge and prevision, for the 'happy-go-lucky,' hit or miss ventures of the capitalist entrepreneur of the last century, the change is one to be welcomed. Combination for buying materials, for scientific research, for standardising components and products, for obtaining new markets, for advertising, for representation in this country and abroad, promises very considerable economies, not only in cost, but also in the continuity of production that it permits. We cannot afford, as a nation, to continue the waste that is involved in individual competition.

"But individual competition, as it has been acutely remarked, is the consumer's substitute for honesty in the producer. Competition, expensive as it may be, does at least purport to protect us against having to pay more for an article than its actual cost of production and normal profit. If we are, as a nation, to be deprived of this substitute for honesty, with the consent and even the assistance of the Government, we ought to ask the Government, very insistently, how it is proposed to prevent the new monopolies from putting up their prices—as we have already found happening in the case of sewing cotton—and thus subjecting the whole population

to an unnecessary taxation, which is likely soon to rival in magnitude even that of the Government itself. Will the Government insist, with regard to all these combinations, on something in the nature of the 'sliding scale clauses' imposed on gas companies, whereby every increase in the dividend to the shareholders is made dependent on an equivalent reduction of price to the consumer? It may be that combination lowers costs, but without some such provision it does not follow that monopoly lowers price."

The union of Labour, Capital, and the State in a three-sided partnership in Trade Councils would provide the answer to the *New Statesman's* doubts.

CHAPTER XII.

TRADE ORGANISATIONS ABROAD.

So far I have made very little reference to Germany, and to that extent I have differed from the methods of most of those who are preaching the need for alteration in our trading methods.

The serious reader will desire to study the question of the permanent organisation of trade upon its merits alone, and will not be influenced by any considerations arising directly out of the feelings of antagonism existing between the enemy and ourselves. While my suggestions, if they improve our trading capabilities, will, undoubtedly, have the effect of putting us in a better position to compete with other nations, I do not base my demands upon any considerations of rivalry between ourselves and anyone else. I claim, that if we are to keep a place at all in the industrial race, we must improve our methods and become more efficient, and in studying suggestions to that end it is useful to consider what has been done in other places. For that reason I propose to touch briefly upon

the organisation of trade as we find it in Germany and elsewhere.

I am of opinion that too much importance is attached to a great deal that we hear about Government assistance to German trade, bounties, subsidies, railway rates, and the like. It is extremely difficult to arrive at the facts in these matters, but the results of my observations lead me to think that the German's success in commercial matters has been due to a system of more or less voluntary associations, and still more due to the fact that his trade is new, that he is not hampered by old traditions, by out-of-date methods, by small ideas, and even more to the fact that he has a far better understanding of the value of science and co-operation in trade than obtains here.

The Germans have developed the syndicating and cartelisation of trading concerns to an extraordinary degree of perfection. The object of these organisations is very largely the elimination or limitation of internal competition, and such a systematic co-operation as will secure to the allied firms advantages which are beyond their reach so long as each fights for its own end. This movement has now been in active progress for over thirty years, and the combinations or cartels take many forms. There are conventions fixing the general conditions upon which goods shall be sold, a loose class of association which approximates very closely to many of our own trade societies. But the most important development is the fully

fledged syndicate or cartel which regulates production, prices, and sales, and leaves to the associated works merely the functions of producing the goods and dispatching them to the buyers.

These syndicates are generally described as the result of Protection, but while a protective tariff has undoubtedly enabled them to carry out their purposes more effectively, it is agreed by a large body of opinion in Germany itself that protection has little to do with the formation of these cartels, and is not necessary to their success. Many syndicates indeed existed in Germany before protective duties were introduced at all.

The outstanding feature of the system of German organisation is the development of central bodies to control sales and to allocate to each works that part of the production which it is best fitted to undertake. The result of the workings of this system is that German factories are kept going upon particular classes of work, do not each attempt to manufacture everything, are able to specialise on particular goods, and thus increase and cheapen production.

According to *The Times*, the Germans are still further developing this feature during the progress of the war.

"In the campaign for economy, factories and workshops are being standardised and specialised. Where two shops in a given area formerly produced indiscriminately two classes of goods, one factory has now taken over altogether one class and the

other factory the other class. Sometimes machinery has been exchanged."

We must remember that we were in business centuries before Germany really started. Forty years ago Germany had no commercial position. Starting at a time when manufacturing was past the experimental stage, Germany, like America, had the advantage of our experience. German businesses, on the average, are built upon a larger scale than ours. They possess from their very newness advantages which are denied to us. For this reason Germans have less need for organisation than we have, and yet it cannot be denied that they possess to-day far more organisation than we do.

Mr. T. M. E. Armstrong, in his Presidential Address to the Insurance Institute of London, says:—

"Our enemies in Germany have proved themselves great masters in the art of organisation. The unfortunate thing is that beyond organisation they have none of the finer virtues. We, however, have all the finer virtues but none of the organisation."

So far from the German State having much to do with the organisation of German trade, I am inclined to think that the organisation of trade has been allowed to become an abuse, and that the German State may find it necessary to take the matter in hand and regulate it and restrict it. In this way we have to-day an advantage which is

denied to Germany. The need for organisation is admitted, but the practice of it has not reached such a stage that the State cannot come in and guide, control, and encourage, without upsetting large vested interests.

This is one of the ways in which the war has been of great advantage to us. It has suspended our ordinary operations, caused a definite break in our habits, and if a new system can be inaugurated before we return to our old ways, reforms and improvements will be comparatively easy.

While the German is a creature who seems to like to be organised, the Englishman and the American have not that peculiarity. The organisation of trade in the United States also is, however, so far as I am able to judge, in a more advanced state than here. The trade associations, of which there are great numbers, are taken far more seriously and made more use of by their members than similar bodies in this country. It is, for instance, quite usual for Trade Congresses to publish huge volumes of Proceedings, showing that much more importance is attached to the meetings of these bodies than obtains on this side of the Atlantic.

The trade association proper in America would appear to be little more than a trade parliament for the discussion of domestic problems. One interesting development which comes very close to our subject is the establishment of export associations for the promotion of co-operative effort in foreign trade. Some of these associations have

been remarkably successful, and many of them keep up expensive staffs of foreign travellers for the benefit of their members, collecting orders and distributing them to suitable factories. They appear to thrive most in trades like hardware, where internal competition is to some extent limited. Each hardware house has its own brands or patterns or patents, and the foreign orders which are taken for these particular goods come as a matter of course to their makers. No question arises in cases like these as to the allocation of orders between rival houses.

But the outstanding feature of American organisations is the Trust. A Trust is not really an organisation at all in the sense in which we are now using that word. It is simply a huge single individual business, with one banking account, one control, and one interest. It has no concern with the welfare of an industry. It has nothing to do with the interests of the State. It is simply a single unit in the commercial world, just as is the smallest shopkeeper. Its powers for good or evil are derived from its size and its consequent wealth.

The Trust is a very natural but unfortunate outcome of the tendency to co-operate and work together among business men. It is the logical outcome of the voluntary trade association, and it will arrive in Germany and in this country unless Governments have the sense to take the movement in hand in time.

The abuses from which Trusts seem to be inseparable became so apparent in America as to necessitate the Clayton Anti-Trust Law, and America is now engaged in endeavouring to dissolve some of these huge corporations. How far that endeavour is succeeding is a matter of opinion.

I need not emphasise the dangers of the Trust. It is a purely selfish organisation, which is contrary to the interests of labour, to the interests of the consumer, and to the interests of the nation. It is designed simply in the interest of the capitalist.

It must not be supposed that the Trust is invariably a success even from its own point of view. The American Steel Trust, one of the biggest of its kind, is so hopelessly over-capitalised and has spent so much of its resources in a fruitless endeavour to control the market, that its history is a dismal one. In their efforts to absorb all the best manufacturing plant in America, and so obtain a monopoly, the officials of the Steel Trust had by 1907 loaded that concern with five per cent. bonds to the amount of one hundred and twenty millions, and even then they did not succeed in tempting more than half the steel manufacturers of the United States, and this failure to secure full control has cost the Trust and the Steel Trade of America dear.

The Clayton Anti-Trust Law has had another curious effect, which bears directly upon the subject of discussion. In legislating for the abolition of Trusts, Congress appears to have produced a measure which abolishes also trade associations.

The Report of the Proceedings of the International Trade Conference, held at New York in December, 1915, says :—

“As a result of the passage of the Clayton Anti-Trust measures, we are to-day hopelessly handicapped in our efforts to build up foreign markets. Forced to meet organised forces of production in foreign markets, our manufacturers are denied the right of co-operative effort, and are obliged to send individual representatives into foreign markets; they are forbidden the right of an agreement on prices in such markets, and are actually forced to compete against each other, thus making the business unprofitable to all, to the entire satisfaction of foreign competitors. An arrangement for the pooling of expenses and the dividing of profits would result in a more intensive and far less expensive handling of a foreign market in a particular line.

“It is encouraging to note that the Federal Trade Commission is seriously studying these problems of organisation, and that it is giving every evidence of an earnest desire to be of real assistance to the manufacturing industries of this country in the movement to build up our foreign markets. We have every reason to hope that the Commission's investigation will lead it to recommend to Congress an amendment to the Trust Act permitting combination in foreign trade on a fair and equitable basis.”

As might be expected, this alteration of the law

to the detriment of trade associations has given a fillip to the association movement, and these bodies are stronger to-day than ever, and, curiously enough, are all demanding assistance from the Government and various rights and privileges of much the same kind as are asked for here. The same Report says :—

“ To place us in a position where we may be able to compete successfully in foreign markets, there is needed intensive organisation of our industries for the elimination of waste, and the development of greater efficiency. To keep down sales costs in foreign markets, our manufacturers must have the right of combination in the foreign field.”

The National Foreign Trade Council, another body which has been dealing with the matter, calls attention to the need for consolidating American forces for the securing, and more particularly for the retention, of foreign commerce. It points out that the revival of peace activities in Europe will completely alter the situation to American disadvantage.

“ Europe’s accustomed instrument for these activities will be co-operative effort, beginning with cartels and trade associations of producers, manufacturers, exporters, and bankers, reinforced by the backing of the State, and, unless the discussions with which industrial Europe now vibrates shall fail, supplemented by economic alliances succeeding the war alliances now in force. Continuance of the present condition spells European industrial and

Governmental co-operation versus American compelled competition."

The situation in America seems to be not unlike the situation here. America has the same advantages that we have noticed in the case of Germany, of being much younger in trade than we are, of having started on a more modern basis, of operating with larger units, of better education, and of a greater national interest in trading matters. Apart from this, it has such doubtful advantage as comes from the possession of a number of trusts, and, in addition, it enjoys the benefits of a system of voluntary trade associations which secure more general support than is given to similar bodies in this country, and which are at present engaged in demanding from the American Government rights and privileges such as those which I suggest ought to be given to our own trade associations.

It will thus be seen that the tendency of trade all over the world is towards association. Manufacturers everywhere have come to realise that they must combine. This universal conclusion is fraught with grave dangers, as is shown by the experiences of Germany and America, as well as by the minor experiences that we have already had in this country.

Unrestricted co-operation among producers must lead to price rings or trusts. Further, it must lead to a widening of the gap between capital and labour. It is none the less necessary, because only by combination can production be raised to a point

that will meet the needs of humanity. We are therefore doomed here, as everywhere else, to a great development of trade combination.

We are, however, in the fortunate position that that development has not yet reached the stage where it has become unmanageable or dangerous, and there is still the opportunity for statesmen to step in and use these proved tendencies for the nation's good. That opportunity has always existed to a certain extent, but to-day, when, as Mr. Lloyd George has put it, "the whole state of society is more or less molten, and you can stamp upon that molten mass almost anything, so long as you do so with firmness and determination," there is a chance that will never return for statesmanship, and for the establishment of an ideal system of co-operation, in which not only manufacturers but labour and the State are combined for the good of all. That opportunity will last only so long as present conditions continue, and will pass very rapidly when peace is restored.

CHAPTER XIII.

THE BOARD OF TRADE AND THE MINISTRY OF INDUSTRY AND COMMERCE.

THE advocates of the appointment of a Minister of Commerce frequently make the error of abusing the Board of Trade. Destructive criticism is so easy, and looks so well in print, that many of the supporters of a Ministry of Commerce are tempted to make out a case against the Board of Trade, chiefly through lack of ability to set up a sufficiently good case of their own. It seems to be assumed that the appointment of a Minister of Commerce would upset the Board of Trade or be opposed by that Department or constitute a reflection upon its activities.

This is, however, a very short-sighted and inadequate view of the situation. There is ample precedent for two or three Government Departments working within the same sphere and yet in no essential way overlapping. The Local Government Board, the Board of Education, and the Home Office, are all engaged in looking after local authorities. The first two, in particular, work through the same bodies; the County Council is the medium for the operations of the Board of Educa-

tion, while being also under the control of the Local Government Board. The Home Office, in many of its departments, covers the activities of local authorities. For the purposes of war we have three distinct Departments: the Admiralty, the War Office, and the Ministry of Munitions, while in the case of the Board of Trade itself a separate Ministry has now been set up to deal with the problems of Labour.

A well-constituted Company takes care that its Board of Directors consists of carefully chosen persons with different interests and functions. Every Board, to be really successful, should have on it a "pusher" and a "brake." A commercial concern which does not possess a man whose sole interest is to promote production or increase turnover, is doomed to failure; but unless that Board also possesses a person who will act as brake and will modify and control some of the schemes of the pusher, disaster is also assured. This illustration seems to cover the case of the Government in its relation to the trade of the country. It has a brake, indeed some people think a far too powerful brake, in the Board of Trade; but it has never had, and this is what it must have in the future, a pusher, a development officer, an improvement minister, such as the Minister of Commerce of the future will have to be.

The President of the Board of Trade is responsible for the enforcement of Acts of Parliament restricting and regulating the operations of trade, commerce,

and industry. That is a necessary function which must be maintained in the future. The only mistake that the Board of Trade has made, and it is coming to be recognised as a mistake, is that it has endeavoured to introduce among its legitimate functions a few half-hearted attempts to further the interests of industry. In the Commercial Intelligence Branch and the Exhibitions Branch, two absurdly small departments, it has attempted the work of promoting trade.

The Times Trade Supplement, October, 1916, gave a most useful list of some of the principal activities of the Board of Trade. That list is reprinted here because its mere recitation is quite sufficient to establish beyond question the case for a separate Ministry to undertake the work of promoting trade. The duties set out in this long catalogue will be found upon examination to be the regulation and restriction of traders' activities, and in only one or two respects can they have any sort of relation to such questions as output, turnover, export, education, elimination of waste, improved methods, and all the other great problems that are awaiting the attention of the Minister of Commerce.

HARBOUR DEPT.	{	Harbour Dept.	{	—Harbours.
				—Lighthouses.
				—Pilotage.
				—Foreshores.
				—Port of London.
				—Navigable Channels, Ports, etc.
				—Interference with Tidal Water.
				—Local Charges on Shipping.
				—Wrecks : Salvage, etc.
				—Loans to Harbour Authorities.
				—Danube Navigation.

MARINE DEPARTMENT.	HARBOUR DEPT.	Provisional Orders and Administration.	<ul style="list-style-type: none"> —Piers and Harbours. —Pilotage. —Electric Lighting. —Gas and Water Cos. —Gas Returns. —Metropolitan Gas Cos. —Sanitary Conventions. —Quarantine.
		Sub. Dept.	—Electrical Standards Laboratory.
		Inquiries.	<ul style="list-style-type: none"> —Wreck Inquiries. —Local Marine Board Investigation. —Naval Courts. —Colonial Inquiries. —Deaths on Board Ship. —Boiler Explosions.
		Consular.	<ul style="list-style-type: none"> —Instructions. —Jurisdiction. —Conventions. —Fees. —International Questions.
		Wreck.	<ul style="list-style-type: none"> —Depositions. —Wreck Statistics. —Instructions to Receivers. —Rewards for Life Saving. —Rocket Apparatus.
		Colonial Acts and Ordinances.	<ul style="list-style-type: none"> —Registry of Ships. —Measurement of Tonnage. —Passenger Steam Ships. —Emigrant Ships. —Cattle Ships.
		Surveys.	<ul style="list-style-type: none"> —Load Line. —Crew Spaces. —Deck Cargoes. —Grain Cargoes. —Dangerous Goods. —Ships' Lights. —Life Saving Appliances. —Surveyors.
		Mercantile Marine.	<ul style="list-style-type: none"> —Engagement of Seamen. —Discharge of Seamen. —Crimping. —Transmission Scheme. —Health of Crews. —Apprentices. —Lascars. —Sailors' Homes.

MARINE DEPARTMENT.	Mercantile Marine.	<ul style="list-style-type: none"> —Distressed Seamen Abroad. —Hospitals Abroad. —Crimes at Sea. —Examination of Masters, Mates, and Engineers. —Examination of Skippers and Second Hands of Fishing Boats. —Fishery Conventions. —Naval Reserve. —Local Marine Boards. —Mercantile Marine Offices. —Instructions to Superintendents. —Instructions to Colonial Offices. —Rule of the Road. —Signals. —Merchant Shipping Legislation. —Registry of Ships. —Liability of Shipowners. —Average. —Freight. —Merchant Shipping (Fishing Boats) Acts.
	Sub Dept. Office of the Registrar-Gen. of Shipping and Seamen.	<ul style="list-style-type: none"> —Registration of Ships. —Issue of Certificates to Officers. —Custody of Official Logs, etc. —Quinquennial Census of Seamen. —Information whereabouts of Seamen. —Royal Naval Reserve.
RAILWAY DEPT.	Railway Dept.	<ul style="list-style-type: none"> —Railways. —Canals. —Tramways. —Provisional Orders : Tramways. —Railway Returns. —Canal Returns. —Tramway Returns. —Light Railways. —Explosives Act, 1875. —By-laws of Railway Cos.
	Sub Depts.	<ul style="list-style-type: none"> —Standard Weights and Measures. —London Traffic Branch.
COMPANIES DEPT.	Companies Dept.	<ul style="list-style-type: none"> —Companies. —Limited Partnerships. —Life Assurance. —Employers' Liability Insurance. —Fire Insurance. —Accident and Sickness Insurance. —Bond Investment Insurance. —Art Unions. —Registration of Newspaper Proprietors. —Moneylenders' Exemptions.
	Sub Dept.	<ul style="list-style-type: none"> —Companies (Winding-up).

COMMERCIAL DEPARTMENT.

Commercial
Dept.

- Commercial Questions Generally.
- Commercial Treaties.
- Foreign Sugar Bounties and Sugar Convention.
- Foreign and Colonial Tariffs.
- Tariff Returns for Foreign Countries and Colonies
- Special Tariff Returns.
- Statistics, Trade and other.
- Commercial Intelligence.
- Statistical
 - Abstracts for— United Kingdom.
 - Colonies.
 - Foreign Countries.
 - British Empire.
- Digest of Colonial Statistics.
- Railway Statistics and Report.
- Cotton Statistics.
- Shipping and Navigation (monthly accounts and annual statement).
- Supervision of Monthly Trade Accounts and Annual Statement of Trade.
- Translating for all Departments.
- Board of Trade Journal.
- Trade of Foreign Countries (monthly accounts).
- Commercial Missions.
- Commercial Representations in Dominions.
- Dissemination of Commercial Information.
- Commercial Editing of Consular Reports.
- Indexing of Consular Reports on Trade.
- Patents, Designs, and Trade Marks.
- Merchandise Marks.
- International Exhibitions.

Sub Depts.

- Commercial Intelligence Branch.
- Exhibitions Branch.

LABOUR DEPARTMENT.

Labour Dept.

- Labour Questions generally.
- Labour Gazette.
- Census of Production.
- Labour and Production Statistics.
- Immigration and Emigration Statistics, etc.
- Statistical Monographs.
- Wages Statistics and Reports.
- Prices Statistics.
- Trade Union Statistics and Reports.
- Strike Statistics and Reports.
- Abstract of Labour Statistics.
- Abstract of Foreign Labour Statistics.
- Co-operation Statistics.
- Labour Exchanges.
- Unemployment Insurance.
- Trade Boards.
- Cost of Living.

LAB. D.	{	Sub Depts. { <ul style="list-style-type: none"> —Census of Production Branch. —Labour Exchanges and Unemployment Insurance Branch. —Trade Boards Branch.
FINANCE DEPARTMENT.	{	Finance Dept. { <ul style="list-style-type: none"> —Estimates for the Votes. —Estimates and Accts. of Lighthouses Abroad, Lighthouse Bds., Harbours, etc., the Vote for Mercantile Services. —Accounts of Trade Boards and of Exhibitions Branch. —Accounts of Consuls and Colonial Shipping Masters. —Wages and Effects of Deceased Seamen. —Wages of Seamen left behind Abroad. —Seamen's Money Orders and Savings Banks. —Seamen's Temporary Deposit Banks. —Pensions—Merchant Seamen's Fund. <ul style="list-style-type: none"> —Greenwich Hospital Fund. —Lighthouse Service. —Wrecks and Salvage Accounts. —Accounts of Transmission of Seamen's Wages. —Expenses of Surveyors and Recovery of Fees from Owners. —Expenses of Inquiries and Prosecutions. —Expenses of Relief of Distressed Seamen Abroad and Recovery from Owners. —Bankruptcy Estates Account. —Companies Liquidation Account. —Light Dues on Shipping. —Lighthouse Stores.

In addition there are the chief Industrial Commissioner's Department concerned with Labour Disputes, the Bankruptcy Department, the Solicitors' Department, the Establishment Department, and the Patents, Designs and Trade Marks Office.

The case for a Ministry of Industry and Commerce, if properly constituted and built upon a basis of representative Trade Councils, was a strong one before the war. It is to-day unanswerable. The problem arising from the transition from war to peace, the transition from State control under emergency legislation to less restricted conditions, are so complicated and present such novel aspects that no existing Government Department is capable of solving them, and when these are all settled, the further problems of promoting and increasing our trade to keep pace with the efforts of competitors and the general progress of the world, will more than justify the establishment of such a Ministry.

CHAPTER XIV.

OUTPUT.

THE foundation of industrial prosperity is production. The material well being of a nation demands :

First, the attainment of the possible maximum, both as regards size and quality of output, whether of goods or services.

Secondly, the elimination of all waste of material or effort in the process of production.

Thirdly, an equitable division of the proceeds of industry, enabling all those concerned in the creation of wealth to obtain a reasonable share of its material benefits.

My contention is that we shall never reach the possible maximum in output until we have exhausted every device of organisation.

This question of output is already an extremely urgent one, and in the future will assume far greater importance. Our position in relation to our competitors had become serious even before the war. Figures which have been prepared by Mr. Charles Lancaster are typical of many that could be given to show the necessity for a radical alteration in

our point of view on this vital matter of output. Labour and Capital are equally at fault, and both will suffer unless great changes are made.

The following is a Report prepared for the Liverpool Chamber of Commerce by Mr. Lancaster:—

“ Whatever arrangements are made for conduct of British trade after the war, one thing is absolutely certain, and that is that the output of manufacturers of all kinds in this country will have to be increased to an extent undreamed of by our manufacturers and trade unionists. The chief competitor of the United Kingdom in the future will not be Germany, but the United States of America. Few will doubt this who have devoted any attention to the matter of the *manufacturing efficiency* of the two countries.

“ I will illustrate by quoting from the first Census of Production in this country published by our Board of Trade relating to the year 1907, and contrast a few points with the American Census of Production for 1909. I cite five important industries in each country—viz., boots and shoes, cardboard boxes, butter and cheese, cement, and the clothing industry. To compare the relative efficiency of the two countries let us compare the horse-power used for 1,000 men and also compare the value of the product per wage-earner. Such a comparison reveals the fact that per 1,000 wage-earners the British boot and shoe industry employed 172 horse-powers only, and the United States 486 horse-powers. In making cardboard boxes here we employed 114 horse-powers per 1,000 workers,

Dr. Dugald Clerk, in the Annual Address to the Royal Society of Arts, puts the same point in another way :—

“ It is a remarkable fact that the United States of America, with its 100 millions of population, is adequately served as to its industrial needs by 8·35 millions of workers, while we require 8·24 millions to supply the needs of 43·7 millions.”

Mr. Charles Lancaster has made another valuable contribution to the same discussion in an article in *The Times Trade Supplement* of January, 1917, where he deals with the output of coal and shows how the tendency of the United Kingdom has been steadily downward, while that in other parts of the world has been to increase.

“ During the twenty-five years ending 1912, the number of tons of coal produced per annum per person employed in the industry in the United Kingdom fell every year from 312 tons in 1887 to 244 tons in 1912. In the United States it increased every year from 400 tons in 1887 to 660 tons in 1912. In Australia it increased from 333 tons to 542 tons, in New Zealand from 359 tons to 503 tons, and in Canada from 341 tons to 472 tons. In other words, the number of tons of coal produced per coal worker per annum is nearly twice as large in Australia, New Zealand, and Canada as it is in the United Kingdom, and nearly three times as much in the United States of America as in the United Kingdom.

“ No doubt the coal seams in America lie nearer

the surface and are of larger dimensions. Also the 'adits' allowing rail haulage up hill to the pit-mouth largely replace the deep shafts in our own country. But, after making full allowance for these things, the British miner has a good deal to account for. A study of the coal tables of 1912 will demonstrate the ominous reduction per man of coal-getting and the increase in price per ton at the pit-mouth in the United Kingdom from 4s. 10d. in 1886 to 9s. 0 $\frac{1}{4}$ d. per ton in 1912. Also the decrease in price in the United States of America from 6s. 4 $\frac{1}{4}$ d. per ton at the pit-mouth to 6s. 1d., and the decrease in Australia from 9s. 2d. to 7s. 6 $\frac{1}{2}$ d. In New Zealand the price remained in 1912 about the same as in 1887, viz., 10s. 10d. per ton, although wages have been periodically increased in all countries mentioned."

This is not a matter of tariffs ; it is not a matter of wages or profits : it is solely and simply a question of organisation and the " will-to-produce."

But in securing maximum output it is not only essential to employ the best machines, and to see that the energies of every worker are utilised to the best advantage. It is also necessary to see that every factory in an industry is employed upon the particular class of work which it can best perform.

This point can be illustrated from practical experience by taking any industry and examining closely its methods of procedure. The furniture trade as at present carried on in this country will serve our

purpose. This trade is useful as an illustration because something has already been done along lines which must be followed a great deal farther before the maximum output is reached.

Many years ago English furniture was almost entirely made by small "garret masters," who sold their wares to wholesale merchant houses. The extravagance of making each piece of furniture separately and by hand began to be realised about thirty years ago, and since then great factories have sprung up in different parts of the kingdom, and machine-made furniture has largely taken the place of the hand-made goods with which our fathers were content. The result has, of course, been greatly to cheapen furniture generally, and to raise the standard of comfort in the homes of the people to a point that would have been considered unthinkable a quarter of a century ago.

But even with this tremendous advance the possibilities of improvement have not been explored to anything like the maximum extent. An inspection of the catalogues of the leading furniture manufacturers would show that each of them is attempting to make almost every class of furniture. The aim in each case is to put on the market a complete range of goods which shall include everything that is required for the furnishing of the cottage or the mansion.

Turning for a moment to America, the fashion there is found to be entirely different. Huge factories at Grand Rapids and elsewhere confine

the whole of their energies and attention to one line—chairs, desks, or carcase work. It is extremely rare to find a desk firm touching upholstery. The American does not aim at covering the whole of his trade. His ambition takes a different form and is summed up in the one word "carload."

If it were possible to reorganise the English furniture trade, and to divide up the different articles made between the different firms engaged, so that the whole of the energies of one big factory could be devoted to one class of work, the result must be greatly to increase output and to minimise cost.

But this does not by any means exhaust the catalogue of advantages that would accrue from such an arrangement. Another result that would constitute an enormous saving would take the form of a reduction of stocks. In the ordinary way all these furniture houses hold big stocks of hundreds of different articles. Thus it comes about that some common pattern of cheap bedroom chair will be in stock at fifty different places, and a vast amount of capital locked up in that one line.

Another result of the ideal arrangement which we are here debating would be a great reduction in the amount of machinery employed for a given output. The present method involves the employment of expensive machinery on short runs and the waste of much valuable time in altering and adjusting that machinery to the next job. If the wood-working plant of the country could be kept going in the same way that the shell-making plant is now employed,

and each machine be continually occupied with one process, the saving in machine time and expense would represent a very substantial difference in the price of the finished article.

For these and similar reasons the capital employed for a given output in furniture is a great deal more than is necessary. The locking up of money in this way may partly explain why the British manufacturer finds it difficult to extend that credit to foreign buyers which is stated to be given with such readiness by German traders.

If we could imagine the English furniture trade *cartelised* as it would be in Germany, there would be formed a central selling organisation which would cover the whole world much more efficiently and with considerably fewer persons than is done by the present individualistic and competitive method. That selling organisation would collect all the orders and allocate them to different works according to their capacity. The works would then be classified for special operations and every article would be produced with the maximum of economy.

It is, of course, not suggested here that we should adopt the German cartel as our model, but it is suggested that a Trade Council, possessing certain statutory powers and embodying the whole trade, would be able to exercise a very considerable influence in the direction of the economies outlined above.

The orthodox answer to any such suggestion as this is found in the two words "Competition"

and "Consumer." It is argued that unless you allow absolutely free play to competition you place the consumer at the mercy of the producer. If it is true that there is no way of bringing about these reforms except through a trust or 'cartel, then I should be inclined to agree, but if it is possible to set up a system of State-controlled associations which while eliminating waste shall maintain the best features of the individualistic plan, then I think this argument falls to the ground.

There is a branch of study which economists seem to me to have neglected, and which I should like to see further explored. It is to discover the line beyond which competition ceases to be an influence for economy and becomes an expense. It is obvious that we have developed the competitive system to the point where it adds very greatly to the cost of most of the articles that we produce. That being so, it is idle to talk of competition as a protection for the consumer.

The managing director of one of the largest iron foundries in the country, discussing this subject with me recently, put the possibilities of output higher than I should have ventured to go. His company is engaged in the production of probably a thousand different articles, a range of lines necessary to the company to keep its place under our present system of competition. This expert assured me that if his foundry could be employed exclusively upon the production of rain-water pipes, he had the facilities, the labour, and the room to turn out twice the

present total production of the United Kingdom. If the matter could be carried one stage further, and it could be arranged that these works were confined to the production of one size of one pattern of rain-water pipes, I was assured that it could produce five times the total output of the country under the present system. Such a scheme as this would amount to the application of the munition method to every trade; the sub-division of goods and the sub-division of operations, the classifying of works and the allocation to each of that part of the product which it was best fitted to produce.

"The day of conservative and scattered individual effort is over—it leads to certain ruin," says the *Daily Telegraph*. "Success lies only in concentration by collective effort and the pooling of individual interests for the common good. The industrial problems of the future must be faced, and faced quickly—moreover, they must be solved, and solved quickly. The onus of responsibility falls primarily on capital, in the provision of standardised organisation, direction, and equipment, whereby the best is accurately determined and the best is progressively maintained: thereafter capital and labour must co-operate in standardising rapid production, so that good general trade may be promoted by steady employment at high wages to the lasting benefit of the industries concerned and the general welfare of the entire community."

It is perfectly obvious that if we are to hold our position as leaders in the commercial world we must

find some system of co-operation between producers so that overlapping of effort may be prevented, internal competition eliminated, and, by the careful allocation of production among works in accordance with their experience and plant capacity, effective competition made possible in foreign markets.

If only we could reach the point where we could begin the study of each trade as a whole as a national asset, regarding its work as a national interest, and we could contrive to get both labour and capital to devote themselves to this study, I feel sure that a great deal could be done towards the increase of our output, which would, of course, mean the capture of foreign markets, the reduction of price, and more commodities for everybody, more real wealth, which is exactly the same thing as either an increase in wages or an increase in profits, and ought to bring both.

In the past, so far from studying the possibilities of increasing output, the tendency has been deliberately to restrict output. We have heard a great deal in the last few years about the limitation of output on the part of the trade unions. The iniquities of the system known as "ca' canny" are, in my mind, no worse than the iniquities of the stupid competitive system which forces every manufacturer to attempt to cover the whole of his trade and thus waste half of his energies.

To give effect to the undoubted need for a great increase in the output of our industries, the willing consent of both capital and labour is essential, but something more than consent will be wanted if

anything practical is to be done. The problem requires to be studied by the organisations of both parties to industry, and both will have to assume responsibilities with regard to it. First of all, the employer will have to demonstrate beyond any question of doubt that he is capable of finding a satisfactory market for the increased output if labour consents to do its part. The restriction of output on the part of trade unions has been and is justified by the fear, often well founded, that no proper organisation existed to prevent gluts and consequent unemployment.

It would, therefore, seem that the first essential is the establishment by manufacturers of adequate selling arrangements abroad, and this can only be done upon a co-operative basis. Employers, generally, are fully alive to this side of the problem, and the only means at present open to them of overcoming its difficulties is to combine in the form of a trust. Voluntary associations are quite helpless in the matter, and this part of the case provides the strongest argument for State action in the setting up of Trade Councils with power to tackle the problems of export on behalf of the whole trade.

From the man's point of view there are two or three considerations which will weigh with him when he is asked to forego the system of "ca' canny," which has been so laboriously and carefully built up in this country. It should, I think, be more generally known that this system is peculiar to Great Britain, and if an appeal were made to the

patriotism of the working classes and it were shown that their prosperity depended upon competition with great industrial countries where no such scheme was in operation, a different point of view with regard to it might prevail.

Some readers may remember the great strike in the building trades in Chicago, which was one of the worst that America has experienced in recent years. The basis of this strike was a demand on the part of the workers for the right to enforce restriction of output. It did not succeed, but it did great damage to the trade of Chicago. As a result of it, the United States Government appointed the late Carroll D. Wright, who was at that time Commissioner of Labour, to undertake an investigation as to the extent to which restriction of output was in force throughout the world. Mr. Wright reported, after the most exhaustive inquiries, that restriction of output or what was known as the "ca' canny" policy had obtained but slight foothold in America, or, in fact, in any other country except in England. England was the place where the idea had originated and the only place where it was in full effect in many important trades.

The report of the investigators of the United States at this time is worth study by those who are interested in this problem.

The next consideration that should be impressed upon labour is the undoubted fact that, all over the world, wages are highest where there is the greatest amount of power and machinery in use,

and where output is at its maximum. The lowest wages in the world are paid in China. The Chinese are a people of an industrious, clever, and intelligent type, yet they work entirely by hand for a wage which is represented by only a few pence a day. The highest wages in the world are paid in America, where more machinery is used per worker than in any other country.

When labour has been assured that unlimited production is free from the old risks of gluts and unemployment, and when it has been proved that high production and the latest machinery mean high wages, something else will still be necessary before it will consent to forego what it regards as its privileges in these matters. Labour will not accept these conclusions from capital or from any other authority. It must find these facts out for itself. It must be satisfied that this is not some capitalistic scheme with the sole object of increasing profits. It must be satisfied that increased output is really in the interests of humanity and civilisation, and in the interests of its own class. That satisfaction can only come from a larger participation on the part of labour in the problems of industry. If labour were given an equal place with capital on Trade Councils, and made to share the responsibilities for the welfare of each of our national industries, it would come to see that wages and profits are really only minor parts of the problem, and all the economic follies of the pre-war labour policy would die a natural death.

CHAPTER XV.

EDUCATION AND RESEARCH.

THE two great questions of Education and the Application of Science to Industry will never be satisfactorily settled until trade is organised. We spend on both subjects a great deal of money, but we fail to get value for our money because, true to our traditions and characteristics, we persist in performing this work in scattered and spasmodic efforts without any real plan. The result is a great deal of overlapping and waste.

When we have succeeded in getting our industries organised, and when we have a Trade Council or some similar authority to study, promote, and control each industry, those Councils will, of course, turn their attention to the subject of Education.

From the trade point of view there are several rough divisions into which education can be classified. The relation between trade and elementary education is not very apparent, and it is not easy to see what influence a Trade Council could have upon the conduct of elementary schools. It is nevertheless the fact that the great majority of the children

who attend these schools are destined for some form of industrial activity, and there is a very great deal that could be done in the elementary stages to interest the child in these matters.

There is, of course, no suggestion here that elementary education should be specialised or that children should be taught trades. But a great deal could be done, and ought to be done, to direct the infant mind to a proper view of industry. The boy of ten sets before himself a model of a man, and all too frequently that model takes the form of a policeman, or a sailor, or a Dick Turpin, or some modern cinema hero, and it never dawns upon him that there is any romance, any dignity, or any real interest in other forms of manly activity. With my own boys I have made it a regular practice, one day in each holidays, to visit some factory and allow them to investigate manufacturing machinery and processes in their own way.

When we come to the secondary and technical schools, the interest of industry becomes more obvious. It is an admitted blunder that we are spending great sums of money in this branch of education on the strength of the opinions of educationists, without any regard, or with hardly any regard, to the views of the trades concerned. The lack of a link between a trade and its trade school is felt very keenly by those who are responsible for the latter, but they are quite helpless in the matter so long as trade remains in its present chaotic condition. When a skilled trader does go out of his way

to take an interest in a trade school he always finds himself heartily welcomed by the authorities and the instructors, but occasional outbursts of individual interest cannot compensate for the lack of any official concern on the part of a trade for the education of the students who have elected to follow that trade as a career.

One is often struck with the fact that the boy of thirteen or fourteen becomes bored with school and determines to get out into the world and earn his living. This is not entirely a matter of pounds, shillings, and pence, although the prospect of wages has undoubtedly something to do with it. The boy will generally tell you that he is fed up with schooling and wants to get into a more serious world. It has never dawned upon him that there is any connection between his education and his later work: for the present system has failed to link up academic theories with their practical application. The lad does not understand the meaning of that which he has to study. A proper system of co-operation between industry and education would find a way of altering his point of view.

It is fortunately unnecessary to debate at any length the need for improvement in our educational system, because there is no doubt that great improvements will be made. The only point that need occupy us here is that those improvements will be far more effective, far more practical, and have a much better chance of success, if they are made with the advice and assistance of those who are engaged

in the practical side of industry. The Trade Council in each trade would be able to exercise an enormous influence for good in this matter.

The subject of education, however, as it concerns the welfare of an industry is not exhausted when proper arrangements have been made for the young. The Trade Council would have an even more difficult problem to tackle in connection with the education of those actually engaged in its trade. Development along these lines would involve the constant diffusion of knowledge as to trade customs and practices in other countries, apart altogether from much necessary work in educating both employers and employed in the principles of industrial economics, and the aims and aspirations of the industry in which they were engaged.

Next, the public has to be educated. A healthy trade, developed to its fullest extent, is impossible without a sympathetic public opinion behind it. This is a branch of work that has never been studied in the past, and cannot be studied so long as a trade is composed merely of disconnected individuals.

The possibilities of education will expand indefinitely when labour begins to take an interest in them, and if ever the ideal is reached, we shall all be engaged in educating ourselves and one another throughout our careers. Maximum output, elimination of waste, the perfection of the product, and all the ideals which we should keep constantly before us, are not to be attained without the true educational spirit.

Labour from the lowest to the highest grades always requires more education. An examination of the present position, a walk through any factory, will show this to be so. A mechanic will be found reading drawings, and managing somehow to do his work from the rough and ready knowledge of drawings that he has picked up in the course of his apprenticeship. That mechanic would read those drawings with far more interest, and his work would be better, if he had had an opportunity of going through a course of draughtsmanship. An operator will be found working a lathe, and by the rule, the reason for which is quite unknown to him, he will have his cutting tool clamped near to the cutting edge. If he had been given the opportunity of studying the elementary principles of mechanics, and had learned the rule of the lever, the reason for the particular way in which he has to adjust his machine would be obvious to him, and his work, instead of being drudgery, would be a matter of scientific interest. An engineering draughtsman, who now drags out a weary existence with a pen and ruler and tracing paper, would stand a better chance of advancement, and his drawings would be improved, if he had been able, during the period of his education, to see something of the practical side of the work that he was doomed to draw for the rest of his life. The shop manager has probably been selected because of his ability in the management of men, an ability which is natural to him and which has not been acquired at any school. That manager

would manage far better if he had a greater knowledge of the scientific side of the work that came under his control.

In short, the linking up of the educationist and the trader and the joint control by them of industrial education would result in an alteration in the point of view of most of the people engaged in industry, and add very materially to their interest in the work in which they were engaged. Labour unrest would not be so prevalent if every labourer had the education which would enable him to see the true purpose of the work he was doing, instead of regarding himself, "as he frequently does at the moment, as a sort of automatic machine in which nobody has any interest.

The improvement of our industrial education does not necessarily mean a great addition to our expenses. There will, of course, always be a demand for more money for education, and it is right that it should be so, but if we were content to spend only the same amount of money and were to bring our arrangements a little more into line with practical requirements, great improvements would result.

A few examples will make this point clear. There are thirty-eight schools which were recognised by the Board of Education in 1908 for the teaching of cotton spinning. There were at the same time some dozens of trade organisations, societies, and unions, interesting themselves in cotton spinning, and yet inquiry shows that these trade organisations do not appear to take any action as regards the educa-

tional training of persons engaged in the industry. In cotton weaving there are thirty-five schools, and the same remark applies. In engineering the case is even worse. The Board of Education has approved or authorised over eighty schools where engineering is taught, and to these must be added a great number of institutions which do not seek the assistance of the Board. In engineering there are probably twenty Trade Unions and a large number of Employers' Associations and Federations, and yet it has to be admitted that no trade organisation has pursued any vigorous action relating to educational training. Instances are to be found where local education authorities have invited engineering associations or trade unions to nominate one or more of their members to represent them on advisory committees, but this is not the result of any system, and is the full extent to which co-operation between the trade and education has gone.

As an example of the ramifications of the Board of Education in technical training, it may be mentioned that there are no less than twenty-one schools which receive its assistance for the education of boys who are going into the fishing industry, thus showing that there is no lack of desire on the part of the State to spend money in trade education, even though traders themselves take no interest in the matter.

There are thirty schools teaching wool and worsted spinning and weaving ; sixty-eight schools where coal-mining is taught ; thirty-three give instruction

in shipbuilding ; 122 are available to the boy who desires to become a printer ; while even trades like millinery and upholstery can boast fifty-five and twenty-five schools respectively.

Electrical engineering very naturally heads the list of technical schools, with a total of 169, the reason being that there is no industry in which the necessary proportion of skilled to unskilled workers is so high. The lowest grades of operatives in electrical work must of necessity have some knowledge of the principles of electricity. A close examination of these schools discloses a much greater amount of interest on the part of the individual members of the industry in the training given, but very little organised connection between the trade and training seems to exist.

Turning to the subject of Scientific Research, there is here enormous scope for the activities of the Trade Councils. The progress of any industry depends upon the continual introduction of new knowledge. This is a fundamental principle which the British manufacturer has always failed to grasp. The neglect of science by British industry in the past is the chief reason for the loss of many valuable trades to more progressive countries.

The individual manufacturer is, as a rule, obliged to keep a very tight grip on the purse-strings. It is very few individual concerns which can afford

to spend large sums of money unless they are assured of an immediate return. Scientific research is absolutely barred by any such restriction. To be of any real service it involves the continual spending of money, without any tangible and immediate return. The British trader works upon quotation : he will not place an order until he has got a price : but, unfortunately, you cannot get a quotation in advance for the discovery of a new material or an improved process. Scientific research has, therefore, had to be left in this country to universities and other institutions that can afford to be independent of profit and loss. Thus we find a large amount of research work in progress, research which has a direct bearing upon industry, but no direct connection with industry. It may be safely stated that much useful scientific work is done in laboratories which is never heard of by the men who could turn it to practical account.

The case for the union of an industry for the purpose of research is unanswerable, and if Trade Councils were set up for no other reason than to take care of the scientific side of each manufacture, they would be amply justified. It is, fortunately, not necessary to argue this matter, because the State has already recognised these principles and the machinery exists for carrying them into effect.

The recently established Industrial and Scientific Research Department, the outcome of the Research Committee of the Advisory Council, is organised and equipped ready for the service of our trades.

It is prepared to co-operate with any trade association that will take up this vital question of scientific research. Sir William McCormick, to whom the credit for this new departure is chiefly due, has laid it down as a principle that the State will work in this matter in conjunction with trade associations. In this way it is hoped to get the operations of the new Department upon a proper scale, in keeping with their importance.

Hitherto the State has been willing to a limited extent to assist individual researches, but at last the importance of the subject has been realised in high places. The near future should see the establishment of numerous Trade Research Associations working in conjunction with the Government for the benefit of whole industries instead of individual firms. The relations between the Government and trade under the present scheme of the Research Department represent the nearest approach yet made to the ideal.

But the Department is perforce doomed to work through voluntary associations of the existing type. Under Sir William McCormick it has advanced from the practice of dealing with private firms to working arrangements with groups of firms in Associations. When the State places at its disposal elected Trade Councils representing whole industries, upon whose attention it has an official claim, and whose assistance it can command, then, and not till then, the union of Science and Industry will be complete.

CHAPTER XVI.

STATISTICS.

AMONG the numerous tasks that await the official Trade Councils of the future, none is more of vital importance than the preparation of adequate statistical information.

When a stockbroker makes a price and completes a bargain he has to go to the board and "mark it up." Every detail of his trade is thus laid open to public inspection. All his experience, all his judgments, are thus placed freely at the service of the whole market. In return for the information as to his own business, which the stockbroker gives to every one of his competitors, he receives similar information from everybody else in the same business. The same sort of procedure is followed on most other markets and exchanges. The result of it is that these trades are both standardised and consolidated, and, while they have to stand the full force of legitimate competition, they are free from the risks and disadvantages that apply to most other trades which are carried on by individuals in the dark.

There is, it seems to me, scope for great development in trade statistics, if the principles underlying the conduct of the trade of the stockbroker could be applied to other businesses. Those of us who are closely acquainted with the habits and methods of the British manufacturer can remember a time, not so very far distant, when auditors and accountants were considered "up-to-date" fads, unworthy of the attention of the really serious men in trade. That class of opinion has now disappeared, and it is extremely rarely that one hears, except in the Bankruptcy Court, of the absence of a proper system of accountancy in connection with any business.

The next step in this process of development will be the recognition of the need for a sort of auditor-general for every trade. The advantages which accrue from the production of prompt and accurate figures in connection with individual businesses are now universally admitted. But the advantages which would accrue from the collection and publication of general figures for any one trade are not at present thoroughly understood.

The average British manufacturer is working in a condition of hopeless ignorance. He knows all about his own business, but so far as the general condition of the trade in which he is working is concerned he knows practically nothing. His own expenses are carefully analysed under proper headings, such as materials, labour, rent, insurance,

advertising, travelling, power, depreciation, and trade expenses. He may tell you that materials cost him 30 per cent., wages 40 per cent., advertising 5 per cent., carriage $1\frac{1}{2}$ per cent., and so on. He knows that the tendency of his own business is for materials to go up, and that improvements in machinery are reducing the percentage of the labour cost. But he has no idea as to the relation which his percentages bear to others or to the ideal.

A manufacturing house with which I am acquainted figures that a special class of operation costs it 1s. 7d. an hour, and on this basis makes its estimates. But for all I know, the proper cost of that operation may be 1s. 5d. or 1s. 9d., and this particular house may be either economical or extravagant. That is a mystery which, under the present arrangements, cannot be solved.

If ever the ideal condition is reached in our trading organisation, every British industry will have a representative Trade Council, and on its staff will be a highly paid and highly qualified statistical officer, whose duty it will be to keep the trade right on these matters. This statistical officer or auditor-general will be furnished with powers that will enable him to collect from members of the association all the information that he requires for the general good, and will publish week by week, or month by month, the result of his investigation in the shape of tabulated returns. When this is done, the British trader will discover

that on the average, in his line of business, materials cost, say, 35 per cent., labour, say, 42 per cent., and carriage, say, 2 per cent. If his own figures show materials 40 per cent., he will know at once that he is 5 per cent. higher than the average in this respect, and that as the average is the product of his own figures and others, somebody is correspondingly below. The result will be that he will investigate his methods and endeavour to discover where the fault lies. And the end of any such system will be a general reduction in costs, or, to put the matter in another way, the elimination of an appalling amount of waste which now goes on.

All this information would, of course, be collected by the statistical officer, under proper guarantees as to secrecy, and would only be used in such a way as not to damage the individual giver of it. The strongest objections to any such system would probably come from the "big" men, who are generally conceited enough to think that they understand all about their own businesses. But the most superficial study of the problem will show that unless the big man represents more than half of the total industry, he will receive more than he gives in the way of information.

As a matter of fact, there is nothing original or startling in the suggestion that trade information should be collected and published in this way. The electric light industry, tramway companies, gas corporations, and municipal enterprises are doing every week exactly what I suggest. In connection

with electric light, the most elaborate statistics are prepared week by week and published. Thus every engineer in charge of a power station is continually engaged in endeavouring to improve his figures, and show better results than his rivals. The same process is at work in less obvious ways in every up-to-date trade, particularly in motor, shipping, and rubber companies. In these industries it is extremely common for one man to be a director of two or three companies. The result of this arrangement is that all the information about which we are now talking is at the service of these companies.

There is a great deal more in this subject than appears at first sight. We are faced with the problem of increasing British trade. It is admitted that when peace comes we must do considerably more business than ever before. This is the only way in which it is possible to meet the charges that have been heaped up by the war. Seeing that prior to the outbreak of hostilities we were just as busy as we could be, and unemployment was at its lowest level, it is obvious that we can only increase our output by a wholesale system of re-organisation, by the elimination of waste, and by the study of economical production.

Now these things can only be done on the basis of figures. We must alter our way of looking at business. We must give up thinking of individual concerns and study trades as a whole. Only in that way will it be possible to bring about the

increase of production that will be necessary to meet the financial needs of the future. There is for every trade an ideal costing system, and it should be the duty of the statistical officer of the Trade Council to produce that system.

Costing systems, which have acquired considerable popularity among better-class traders in the last ten years, have hitherto been regarded as a means of checking competition and keeping up prices. They are generally designed to educate the small man as to the real costs of business, and thus get him out of the habit of quoting unremunerative prices. The costing system can be of far greater service if generally adopted by whole trades, and, if accompanied by the publication of trade statistics, is likely to have the effect of reducing prices and cheapening production.

Mr. W. Howard Hazell, in an article on Cost-finding in *The Times Trade Supplement* of October, 1916, gives some valuable information as to the results secured from the introduction of a proper system of costing in the Master Printers' Association. Mr. Hazell fails to point out what is obvious to any careful observer of printing in the last few years, that the activities of the Master Printers' Association in this and other ways have brought about an all-round improvement in the standard of English printing work, and he would no doubt admit that the thorough investigations of the Association into costs have had a very great deal to do with this improvement.

“In many well-organised industries there is an efficient system adapted to the particular trade, which is recognised as essential in any factory where good management and good profits are desired. On the other hand, there are many trades which are not so well organised, where accurate methods for cost-finding have not been studied, and where the quotations for work to be done, or charges for goods manufactured, vary considerably. This variation is often due not so much to the greater efficiency of one factory as compared with another, but to the difficulty of arriving at the real cost of production, when the question is complicated by heavy standing charges, seasonal trade, and work produced sometimes by hand and sometimes by machinery. In trades where a uniform article or unit is produced, such as a ton of coal, a tin of condensed milk, or the haulage of a ton-mile, the problem is much simpler than where the production is variable in form, value, and quantity.

“It has been found that the result of a correct and efficient cost-finding system is not only to arrive at all the costs of production, but to prevent waste and delays of various kinds, to check errors of management, and generally to increase the efficiency and economy of the works. It may be said that any accountant could instal a cost-finding system in a factory, but modern manufacturing is so complicated that each industry is faced by peculiar difficulties, and though the broad principles remain the same, the details must be adjusted to

the circumstances and condition of each trade. Herein lies the advantage of the subject being dealt with by well-recognised leaders in the industry, as their endorsement of any methods would have far more weight than the recommendations of an outsider, who might be thought to be pushing his ideas for his own pecuniary benefit.

"The war has shown how greatly German trade has benefited by co-operation amongst the members of a particular industry; and the old Ishmaelite policy of every man's hand against every man (which was too prevalent in this country) is slowly breaking down. There is much yet to be done in organising our ways and standardising our methods to meet the present abnormal conditions, and the more difficult and competitive times that are coming. Probably there is no course more likely to lead to success and to bring satisfactory results in the immediate future, than for each industry in which modern cost-finding methods have not been adopted and standardised to investigate the question, prepare a suitable system, and then carry on an active campaign to secure its general adoption."

Anyone who has worked for half a dozen firms in the same line can tell amusing stories of manufacturers jealously guarding "secret processes," "special methods," which are really grotesquely behind the general level of practice in the industry. It has been known for a manufacturer to be at great pains to keep information of his methods from

a rival in the next street—who was, in fact, working on a vastly better system.

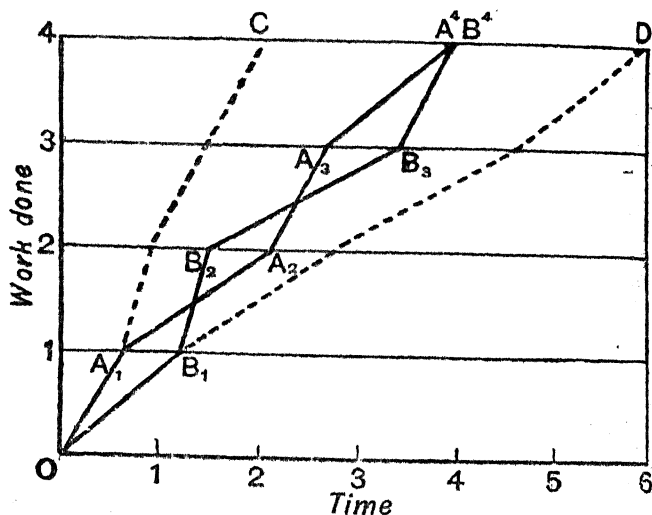
We have so far considered trade statistics in their relation to costs, but there is, of course, the other side of the account which is no less important. There is no information which the average trader regards as more confidential than that which concerns his customers' accounts, and the amount of his trade in different towns or different markets.

On the other hand it can be argued that there is no more stupid form of secrecy. If it were possible to lay bare the secrets of twenty makers in the boot trade it would probably be found that one market is permanently overstocked with boots, while another is badly neglected. It might similarly be discovered that the reason for the low price of a particular type of article is that far too much of it is manufactured.

Statistics and Standardisation run together. The diagram on p. 174 illustrates vividly the advantage of the application of statistical information to processes of manufacture. The diagram was used by Professor Ripper, Vice-Chancellor of the University of Sheffield, in a lecture to the Royal Society of Arts on May 9th, 1917, and the following explanation extracted from the lecture makes its meaning clear:—

“The diagram supposes a piece of work to require four operations from the raw material to the completion of the finished product. Two pieces of work, ‘A’ and ‘B,’ were started at the same time, but by different methods. In each of the

respective stages, the irregular A line indicates the rate at which the work is done upon the article 'A,' and the irregular B line similarly indicates the rate at which the work is done upon the article 'B.' It will be seen that during the first operation the A process is quicker than the B process ; in the second operation it is slower ; in the third operation the A



process is again the faster, and in the fourth operation it is the slower. The total time required to complete both articles 'A' and 'B' is shown by the diagram to be the same.

"This diagram well illustrates the conditions obtaining in all forms of manufacture. It is obvious by studying it that each of the articles could easily have been completed in considerably less time.

For example, in the first operation there is no reason why the 'B' process might not, in the future, be similar to that employed in 'A,' and if, in each operation respectively, the best methods be adopted, the operation will be completed in the time given by the line OAC, obtained by extending the line OA parallel to that of the best process in each case, the whole line representing the sum of the best processes. This line, therefore, represents the standard method of doing the piece of work in question until some still better method is discovered. If the four separate operations had not been analysed it would never have been discovered that any such improvement could have been made, and therefore, if no attention had been given to the time involved in the manufacture of the article, there is reason to fear that the quicker process in each case might easily have degenerated into the slower methods in each case. By summing up all the slower methods we get the line OBD drawn parallel to the slower processes, and showing that the total time taken in this case is several times as great as is required by the standard method line OAC. In many branches of manufacture, instead of there being only four operations, as shown on the diagram, there might easily be forty, in which case the difference between the summation of the forty best methods and the forty slower methods might make a very considerable difference indeed in the final cost of the product, resulting in the one case in a handsome profit and in the other case in a serious loss.

"The principles of this diagram are of general application, and may be used to locate sources of loss throughout the whole process from the raw material upwards."

An important field for the activities of the statistical officer exists in connection with foreign trade. There is an immense amount of work to be done on behalf of individual industries in the collection and arrangement of the statistics of other countries. It is quite remarkable how little attention is paid to these matters at the present moment.

A good deal of information of this class has now to be obtained from the Commercial Intelligence Branch of the Board of Trade, but the number of manufacturers who take advantage of these facilities is extremely limited. The reason is probably to be found in the fact that a Government official is seldom the proper person to compile trade statistics. No man can possibly be an expert in machinery, boots, jam, eggs, and clothing. These Government Departments endeavour to do the impossible when they produce statistics and reports upon different branches of commerce. The only man who can give a report which is worth having upon the export of boots from America or from Germany is a man who knows something about the boot trade. If the figures are to be useful they must be analysed and subdivided in a way possible only to a boot man. If each trade were to employ a statistical officer for no other purpose than to produce accurate and reliable information as to the trade of

competing countries in neutral markets, the expenditure and the trouble would be amply worth while.

But I have not by any means exhausted the many sides of this fascinating subject of trade statistics and information. We have heard a good deal lately about "key" industries, and the Government, which has to shoulder the blame for anything that goes wrong, is blamed for allowing certain industries to drift into the hands of the Germans. I cannot see what the Government has to do with it, or how this catastrophe could be avoided in the absence of statistics and information.

The war has shown us that we have been relying too much upon Germany for certain articles upon which our business depends, but if the war had not intervened we should still be in ignorance of these matters. The fact is that individual manufacturers have been carrying on their business in their own way, as of course they were perfectly entitled to do, and that they have all discovered that certain articles could be bought advantageously in Germany. They had all hoped that their competitors were ignorant of this advantage, and Germany has been allowed to secure the business because different British manufacturers were not on speaking terms with one another.

We have now discovered these key industries, which are in the hands of the Germans, but there are many more which are controlled by other countries, notably America, and unless some system is available whereby our traders will pool this

information and allow it to be circulated for the common good, no power on earth can stop a recurrence of the danger.

I have no desire to enter into the tariff controversy, or to express any views on the merits of free trade or protection, but it is worth while pointing out in this connection that tariffs and statistics must go hand in hand. It is surely quite reasonable to ask that, in considering the question of a tariff, the Government shall require that the industry shall show the necessity for some form of protection.

It may well be that the German or the American is capturing the trade by reason of superior organisation, more highly developed co-operation between makers, improved methods of manufacture, lower costs, and the elimination of wasteful and extravagant competition. It would be unreasonable for the home trade to ask for protection in order that it may bolster up its own antiquated methods and thus deprive the public of the advantages of the more scientific procedure of the foreigner. If, on the other hand, the British industry could show through its statistical officer that its methods were right and its systems good, and it was still unable to meet foreign competition, then it seems to me that the case for a tariff would be unanswerable.

To sum up the whole matter, my plea is for the appointment by each Trade Council of a qualified accountant, auditor, or statistician, to bring to the industry, as a whole, the benefits which arise from proper accountancy and recording methods in individual businesses.

CHAPTER XVII.

FISCAL REFORM.

FISCAL reform is no part of my subject, and I should not refer to it but for the fact that any discussion on trading matters which ignored this question would be regarded by some people as entirely beside the point. In my judgment, tariff reform has been allowed to occupy far too much of the stage. This is very largely due to the activities of Chambers of Commerce, and other institutions which, by reason of the fact that they attempt to cover every trade, are unable to deal with the practical problems of any. These bodies are driven into politics, and they take up tariff reform because the idea of a tariff has a way of appealing to the manufacturing classes from whom most of their subscriptions are derived.

I agree with that part of the tariff programme which calls attention to the weakness of the British industrial position. It is no answer to this argument to point out, as most free traders do, that we are still at the top of the scale of export business, and that America and Germany remain in second and third positions. It is perfectly true that we are

doing a wonderful export business. The *per capita* trade of the three great industrial nations—Great Britain, Germany and America—in 1911, was in the proportions of six, three, and two. But the wise business man is not the one who counts up the gains of years ago and takes satisfaction from them: it is he who looks to the future. If America, Germany, Japan, or any other country, is allowed to develop better trading methods, better systems of production, than we have here, then whatever may be the supremacy at the moment, the time is coming when we are going to drop behind.

I part company with the tariff party when they claim that these tendencies are the result of a tariff only, or that they can be checked by a tariff only. The nation that will win the industrial race is not the nation with the most scientific tariff, but the nation with the best all-round organisation.

The question of a tariff has been hopelessly complicated by political party considerations. Peers and politicians have thrown themselves into the debate, and Tariff versus Free Trade has been elevated to a position altogether too important, and held up as a matter of political principle. But in reality the advisability or otherwise of a tariff has surely nothing to do with principle: it is a matter of detail and of expediency. A tariff may be necessary to one trade and fatal to another. It may be good at one time and bad at another. It may, as we have lately discovered, be necessary for reasons which are really military and not economic at all.

"There is no need to stir the embers of ancient controversies under their whitening ashes. According to the circumstances of the individual case we can be Free Traders, Protectionists, Socialists, at the same time in different parts of the Empire." ¹

The question of a tariff, however, is extremely useful to my argument. If this country does decide that it will experiment with protection (a decision that I personally hope will never be taken), we shall arrive at the point when it will be necessary to settle how much per cent. to put upon, say, boots. As we are at present constituted, that problem will have to be settled by Imperial Parliament elected upon a basis which has nothing to do with boots, or worse still, by some Committee composed of Members of Parliament and their cousins, with probably a noble peer thrown in because he happens to be the Chairman of a Boot Company.

The poor boot trade will not be consulted in the matter at all. It is true that the Boot Section of the Chamber of Commerce will pass some resolution, but the Chamber of Commerce is composed of avowed tariff reformers, and the Boot Section cannot pretend to represent the industry from which it takes its name. Surely if we require to know what would be good or bad for the boot industry in the matter of a tariff, it is an essential preliminary to put that industry into a position where it can express an opinion on the matter. That can only be done

¹ Sir Joseph Compton-Rickett in the *Contemporary Review*, May, 1916.

by the establishment of some representative organisation on the lines of that for which I am pleading.

There is another point I should like to make while on this question of tariff. The most ardent tariff reformer will admit that tariffs should be used as a means of defence against the industrial rival, and not as a means of bolstering up inadequate methods or lack of enterprise and ability on our part. If the population here is enjoying the advantage of better boots by reason of an American invasion, boots which are at the same time cheaper and more durable than those made at home, then it would be an iniquity to use a tariff for the purpose of robbing the population of that advantage in order to help an industry which was obviously out of date.

If the boot trade wants a tariff it ought first to be made to show that it is properly organised, that it is run upon scientific lines, that there is no waste, that its arrangements for output are of the most modern description, that it has made every possible use of the services of science in developing its industry. If, having done all this, it is still unable to meet foreign competition, owing to the presence of, say, sweated labour abroad or some local advantage which cannot be secured at home, then the argument for a tariff would be an extremely strong one.

Thanks to the war, we have several very useful examples of protection in practice to guide us in the consideration of this subject. We have not, it is true, adopted the full Protectionist programme, but

by means of prohibition, limitation of imports, export bounties and actual tariffs, we have accumulated a number of very convenient illustrations of the working of the principles of protection. A study of any of these Orders, of the muddle and confusion which have followed from them, the hardships and injustice which they have inflicted in different ways, is quite sufficient to justify the present suggestion that no tariff can ever be satisfactorily settled in a Central Government Office. A tariff is essentially a matter of business, and to attempt to touch it without consulting those who have experience of the industry affected is obviously a clumsy and impossible procedure.

The Government decided, in the name of the war, to set up a system of export bounty on palm kernels. It is not intended here to discuss the case for or against this action, but it should be noted that this decision was taken and put into effect: and then, and not before, Parliament was consulted on the matter. *The Times* report of the debate in the Commons on August 4th shows the resentment of the House of Commons at this method of issuing Orders and discussing them afterwards. But the position of the trader under a system of protection designed and elaborated in a Government Department would be far worse than that of the House of Commons in the matter of the palm kernel regulations.

A very useful example of the absolute need for expert advice in this matter of tariffs is furnished

by the experience of the duty on pianos and parts. The Government put heavy duties on foreign pianos in order to stop their importation, and at the same time to encourage British piano makers to make every effort to export home-made pianos, and thus in both ways they hoped to help the difficult problem of exchange. If, however, they had had the advice of an official Piano Makers' Trade Council they would undoubtedly have found some way of achieving this result with far less trouble than was actually involved. The duty on pianos and parts carried with it of course a drawback system in the event of any of these goods being exported. In view of the impossibility of manufacturers getting domestic supplies of certain parts, a very great impetus was given to the importation of a number of essential parts, all makers of fittings, frames, and so on, being engaged on munition work.

The difficulties in the matter became apparent when pianos began to be exported containing any parts which had paid the new duty on importation. The work of identifying the parts on which duty had been paid proved too much for the Inspectors of Customs. It was found that in a consignment of half a dozen pianos about six hours were occupied in displaying the identification marks on the various parts and packing the crate ready for the inspector's seal. One of two things, therefore, happened: either the Government lost in inspectors' time far more than they got out of the duty on the imported parts, or in cases where the inspection was made on

the manufacturer's premises the manufacturer was put to greater expense by claiming rebate than the amount which he received in respect of that claim.

"Consequently," says *The Times Trade Supplement* of April, 1916, "an endeavour was made to simplify matters. Trade estimates were taken, showing the total value of the piano output and the proportion exported. The amount paid in duty on imported parts was known to the Customs, and it was a simple matter to value the average amount due for rebate on the value of pianos exported. It is understood that the Customs authorities were ready to adopt such a system, but at once obstacles were created, as one might expect would be the case.

"The first difficulty was set up by the Custom House itself, where the authorities pointed out that, much as they would like to adopt the scheme, it was contrary to the law under which they were working, the Finance Act of 1915, and in order to enable them to adopt such a scheme it would be necessary for the Act to be amended. There seemed to be such a clear case that the President of the Piano Manufacturers' Association petitioned the Chancellor of the Exchequer to receive a deputation to place before him the views of the trade in regard to drawback. Mr. McKenna declined to see the deputation, and there the matter rests so far as the Custom House is concerned."

American manufacturers have discovered to their cost some of the disadvantages of tariffs made in

high places. In some cases the American tariff raises the costs of manufacture so high that not only does it prevent the American manufacturer from competing in the foreign market, but it allows foreign competitors to get in and undersell in the home market notwithstanding the existence of a tariff. This rather complicated point is set out very clearly in the *Iron Age* of New York, which comes to the conclusion that dumping may be in some circumstances entirely normal and continuous, and that tariffs cannot stop it.

But the greatest trouble with tariffs is what is known in the States as "graft." The most powerful argument against a tariff is that it must tend to lower the standard of Parliament. Even if the British legislator should be proof against direct graft, there will still be a tendency for particular trade interests to send men to Parliament for the purpose of promoting these interests. Whether under a system of tariff we should escape the Parliamentary scandals which are associated with every other tariffed country in the world remains to be seen, but on the introduction of a Tariff Bill every Member of Parliament is bound to be subjected to the most persistent, troublesome, and tempting lobbying. Now if a system of trade government were established, if we were to decentralise all these trade matters, take them out of the province of Parliament altogether, and set up Trade Councils in every trade to which these matters could be referred, this grave danger of graft would disappear. It would be impossible

to bribe a Trade Council to alter its views with regard to some matter that vitally affected its trade.

It may be thought, indeed it has been suggested, that a Trade Council would at once demand protection for its trade. This is not necessarily true. The Trade Committee of the Chamber of Commerce demands a tariff, but that Committee is not representative. The persons upon it go there chiefly because they favour a tariff policy and look to the Chamber of Commerce to help them to promote it. If instead of a Committee of the Chamber of Commerce, there were a representative Trade Council elected by the votes of every member of the trade, it is extremely doubtful whether that elected Council would accept the views so freely expressed by these self-appointed Committees, which are at present the only spokesmen for the industry.

The point is, however, not worth labouring. It is too obvious that no tariff should be contemplated, until the true opinion of the trade concerned had been ascertained. There is no greater scandal in politics than the way in which tariff agitators have produced trading examples without any authority to speak for the interested parties.

From the Empire point of view nothing could be more dangerous than a revival of our old political Free Trade and Protection controversies. To have the varying interests of different parts of the Empire made the subject of party warfare in the mother country is a procedure fraught with extreme danger to the future of the State. Imperial Parliament

must, of course, have the last word on the question of a tariff, but it is obvious that each industry must have a chance to state its case officially and representatively, and this can only be done through Trade Councils which can speak in the name of the whole industry.

CHAPTER XVIII.

EXPORT.

It is useless to increase output unless provision is made for its disposal. There is no more advantageous method of disposal than exportation. In fact, exportation on an unprecedented scale is essential to us for many pressing reasons.

Ever since the outbreak of war we have been exporting credit, and steps must be taken to recover that commodity. During the centuries we have gradually risen to the proud position of the greatest creditor nation. That position has now been very seriously weakened and must be recovered. In order to finance the war we have been obliged to call in loans abroad and to reverse the old position by raising external loans. It is quite essential to us to get back to our old status in this matter, and those foreign loans must be replaced. Hence the need for exports.

But the duty to export can be stated in another way. We lead mankind because we have the reputation for being the greatest civilising force in the world. We stand in the eyes of the nations for progress, but progress reduced to practical and

material terms means boots and shoes, railways, sanitary appliances, knives and forks, soap, and watches, and on the extent to which we supply these things rests, in some degree at least, our position in the van of civilisation.

Although we have per head (I am speaking now of pre-war times) the largest export business in the world, the full possibilities of exportation have never been realised in this country. It is the greatest folly to rest content with the fact that we happen to be doing more business in this way than others. We have been at it for centuries; others have only just begun: and it would indeed be a marvel if, after a mere thirty or forty years, either Germany or America were able to show an export position which would compare with ours.

I cannot too much insist that it is necessary to realise that we are in danger of losing not only our lead in export matters, but our export trade itself, unless we improve our methods. The position in regard to any particular industry in a particular foreign market is roughly this. The German trade, through its cartel, has a perfect system of representation in that market. There is no competition as between Germans. America is in almost the same position, where, through one of their export associations or through one of their huge trusts, they have that market properly organised and its requirements looked after by an expert staff. But Great Britain, which for centuries has been in the habit of supplying this market, has nothing but a

personal connection between a number of individual British manufacturers and a number of individual foreign buyers. Those individual manufacturers are in many cases in direct competition with each other, and each of them has to meet not only the competition of the German and of the American, but the still more dangerous competition of his fellow-countrymen.

There is no attempt on the part of that British trade *as a whole* to study or to capture that market. So long as it suits individual manufacturers for their own individual ends to carry on business the nation is content to allow them to do so. But, except for a Consular Service the inadequacy of which I will, for the moment, take for granted, there is no attempt on the part of the British nation to safeguard its interests in foreign markets. We are committed to the policy of *laissez faire*. The Board of Trade will issue all sorts of regulations and appoint all sorts of inspectors, all of them, however necessary they may be, of a nature to hamper industry, but no Government Department will concern itself with the work of developing foreign markets on behalf of British trades.

There can no longer be any doubt that every trade must present a united front to foreign competition. The struggle of the future in the foreign market will be between German goods, American goods, Japanese goods, and British goods, and that competition will be sufficiently severe without further competition between individual British manufacturers. In fact,

if the present system remains unaltered, the British manufacturer does not stand a chance against the foreigner.

We hear a great deal about the German commercial traveller, and there is no doubt that the Germans have developed a system of personal representation in foreign markets which is by far the best of its kind. Our own colonies are overrun with German representatives to such an extent that I was told by a hardware dealer in Winnipeg, that his records showed nine visits from German representatives to every one from English travellers.

Travelling abroad is an expensive luxury. To maintain an adequate staff of foreign travellers is beyond the means of most English manufacturers. In order to arrive at only the pre-war state of perfection of the German in this respect, manufacturers must combine.

There are those who argue that this can only be done by means of wholesale combinations and amalgamations, the buying up and uniting of businesses, and the creation in this country of the five million instead of the £100,000 standard as the commercial unit. I submit that the same results may be possible by a system of co-operation through recognised Trade Councils such as I have outlined.

Another weak spot in English arrangements for foreign representation is that the men who travel for us are not always experts in the goods which they have to sell. In the absence of co-operation between manufacturers of a kind, it is extremely common

for half a dozen houses in quite different trades to combine together to pay the expenses of a representative to some market abroad. The result is that a representative is chosen by reason of his knowledge of the locality to which he is assigned, his knowledge of the language, and his general commercial ability. He cannot be an expert in the half a dozen trades which he is called upon to represent. He can do little more than show the printed catalogue and use such personal influence as he possesses to secure a share of the orders that are going. If instead of different trades clubbing together to meet the expenses of a foreign representative, the custom were for men in the same trade to join hands, it would be possible to send to each market an expert in each industry.

We are constantly told of the ability of the German to adapt himself to the requirements of a particular market. Our Consuls have written reams to show how German goods are so made as to meet the peculiarities of the buyer. The reason for this is, in my judgment, the fact that the intermediary between the German and the buyer is, as a rule, a technical expert in the goods which he is called upon to sell. These trifling alterations, which, however, make for success or failure, are matters which demand the attention of the expert.

But apart from these details it is obvious that the best salesman is the man who is thoroughly acquainted with the goods which he has to sell. The old system under which we export our products

through some merchant house which knows all about bills of lading and customs' peculiarities, and ships everything from boot-blackening to pianos, is doomed in face of the method which the Germans have developed, through their cartels and selling organisations, of placing the whole resources of Germany in any particular industry in the hands of an expert staff in each market.

While on the subject of export it may be interesting to notice what is happening at the moment on the other side of the Atlantic. The European War has given to American exporters great opportunities for expansion, and, as British manufacturers know to their cost, full advantage has been taken of those opportunities.¹

The Chief of the Bureau of Foreign and Domestic Commerce at Washington, Dr. Edward Ewing Pratt, in a Report to the International Trade Conference held at New York, in December, 1915, says :—

“The growth of our export trade in certain parts of the world is worth a little very serious consideration. If we compare our foreign trade in 1913 with our trade in 1915, we find some very interesting results. Supposing we compare the four months—June, July, August, September, 1913, with the same four months in 1915 : we find that during that period our trade with Canada has decreased about 9 per cent. ; our trade with Central America

¹ Since these lines were written America has joined the Allies, but it does not follow that American manufacturers will, on that account, lose all the advantages which the war has brought to them.

has remained practically stationary ; our trade with South Africa has increased 12 per cent. ; our trade with South America has increased 22 per cent. ; our trade with Asia has increased 51 per cent. ; and, perhaps most remarkable of all, our trade with Australia has increased 77 per cent. These facts demonstrate beyond question that our trade with countries unaffected directly by the war has increased temporarily.

“ The next important question for consideration is whether or not we shall be able to hold this trade. Some people are of the opinion that following the war the European countries will flood, not only our own market, but the other markets of the world, with cheaply-made, low-priced manufactured articles. The predominance of opinion, however, seems to be, and I must confess that the facts and logic of the situation seem to urge this view, that the costs of production and consequently prices will be much enhanced in European countries and that, in spite of the best organised and the most vigorous efforts on the part of our European competitors, they will not be able to compete in our own markets and in other markets of the world on as favourable terms as they have been able to compete heretofore. I believe, and I find that most of those who are professionally engaged in foreign trade hold a similar opinion, that we shall be able to retain the major part of the markets which we gain during the present disturbed world conditions.”

Newspaper writers are very fond of telling us what glorious opportunities await the British manufacturer in Russia. But they fail to point out what is happening to-day between America and Russia, and the struggle that is in front of us when peace comes to catch up the start which America will have had. Dr. Pratt, in the same Report, says :—

“ There is one market especially which is worth the most serious attention on the part of every manufacturer and exporter. I refer to Russia. The imports into Russia during the last few years, averaged about \$500,000,000 ; roughly one-half of these imports have come from Germany. Not all of those products have been of German origin, for the Germans have, in many cases, acted as the middleman for the Russian trade. Here is a great trade open at least on fair and equal basis to the American manufacturer and exporter. We must not forget that Russia is a country of great natural resources, a country which is in large part undeveloped. Her railroads, her ports, her public utilities are still in large part to be built. Her mines and natural resources are in large part still to be developed. And let me point out that Russia during the next fifty years will go through a period of development very much like that through which the United States has been going in the last fifty years. Our manufacturers and exporters are particularly well qualified to meet the urgent demands of the Russian market.”

The American Government understands the needs of expert foreign representation much better than does our own Board of Trade, as is shown by the announcement that the Bureau of Foreign and Domestic Commerce of the United States has appointed a special agent to investigate the field for railway equipment and supplies in the far East, Australia, and South Africa. The British Government would in like case have sent a Trade Commissioner to one of these places, with general instructions to report on trade conditions, but no case is on record, so far as I am aware, of the Government ever having appointed a special agent for the purposes of a special industry to investigate a market.

But the Germans and Americans are not the only people who understand the value of co-operation in pushing foreign trade. Wherever we turn abroad, this idea seems to have found a greater degree of acceptance than it has in Great Britain. Sweden is a very good example of successful co-operation for the purposes of export. There is a General Export Association of Sweden, as well as a large number of specialised bodies, the most active of which is probably the Swedish Wood Export Association, which practically controls the great trade that Sweden does in timber, paper, and paper-making materials.

Canada can also claim to set an example in this way. The Export Association of Canada is one of a number of bodies that are founded upon this

idea. Its objects are to secure detailed information and actual orders for its members, to introduce representatives of Canadian firms to the most important buyers of other markets, to collect and make shipments of export orders, and where possible to finance the same. The Association has already opened offices in different parts of the world, and arrangements are being made for establishing large sample rooms in important centres. It was responsible for an interesting exhibit of the products of its members at the Lyons Fair. It is also establishing machinery for the sale of Canadian goods in markets as far removed as Siberia.

Co-operative export trading is beginning to be understood in Great Britain, and quite a number of trade associations are debating the matter. For instance, the National Leather Goods Manufacturers' Association has before it a scheme whereby the members of the association would combine to send out to the markets of the world an exhibition of British-made leather goods over a given period in certain selected centres.

But the loosely formed voluntary trade associations, which are all that we possess at the moment, are necessarily badly handicapped in any scheme of this kind, and success is only to be achieved in those rare cases where self-sacrificing individuals are prepared to take the whole responsibility upon their shoulders. Opinion in every trade is ripe for a scheme of combined action, and the opportunity for the Government to institute such a plan is unique.

" We all have some advantages over one another," said the late Mr. Arthur Chamberlain, " and we had much better put all these advantages together, and pit our combined best against a foreign country. If we do that we shall then constitute a better whole than either Germany or America."

As with most present-day problems, the Government is endeavouring to do something in the matter, and, as is almost always the case, they are building from the top, working from a central department, and attempting the impossible. The Foreign Office has awakened to the need for improvement in our export machinery, and has consequently made a bargain with the Chambers of Commerce for the better collection and use of Consular information. The Consular Service is to be strengthened, and Consular Reports are to be circulated with greater promptitude through Chambers of Commerce. Special forms are to be available for members of Chambers of Commerce who will be able to state what are their requirements, and Consuls will endeavour to fill those needs.

This display of energy on the part of the Foreign Office is much to be regretted, as it represents the patching up of a system which, as I have tried to show, is thoroughly bad in principle. British Trade will never reach its required dimensions so long as the information and the assistance given to it is that collected by Consuls and officials of Chambers of Commerce, all of them excellent and well-meaning persons, but none of them experienced in

particular trades. It is imperative that we should learn from the Germans and the Americans in these matters, and decide that every trade shall be dealt with separately and given its own machinery for dealing with each foreign market.

The labour problem and every other problem will in the end depend upon proper distributing and selling arrangements abroad. It is useless to increase output, to improve machinery, or add to our productive capacity unless we have the proper facilities for the disposal of our productions. In this matter of distribution we have one of the weakest links in the British commercial chain.

My suggestion is, therefore, that every Trade Council should have as one of its duties the work of promoting foreign trade in the products of its industry. Each Council will thus find it necessary to appoint an Export Committee and Export Officers, and to amass for its use all the statistics and information that are available with regard to its industry. When that is done, trade statistics and commercial information will assume a new significance. They will be prepared by experts who know what is wanted; they will differentiate between classes of goods and grades of materials; they will be of real value to the business man. The Export Officers of each Trade Council will be responsible for the proper representation of that trade in every market of the world. Co-operative advertising and exhibition schemes in foreign markets will become the order of the day. Those readers who

had the opportunity of visiting the last few International Exhibitions will be aware that by far the best exhibits at Brussels, Ghent, and Turin were those arranged on co-operative lines by the Society of Motor Manufacturers and Traders, the Publishers, the Textile Printers, and other organised bodies.

To sum up this question of export, the position is that American trusts have done extremely well, that German cartels have done better, and that British co-operation, if it can be brought about, will do best.

CHAPTER XIX.

SUNDRY QUESTIONS.

THE number of questions which might be considered in connection with the study of the development of trade is legion. There is literally no end to them, which fact is the strongest argument of all for the adoption of a bold scheme of devolution and the setting up of numerous little authorities so that all these things may be decentralised.

For instance, we have so far said nothing about the development of the Empire, the arrangements that will undoubtedly be made for facilitating trade within the Empire, the need for becoming self-supporting with regard to certain raw materials and key industries. It will, however, be obvious that these problems are much more likely to find a satisfactory solution when we ourselves are organised at home. It is altogether characteristic of the British way of doing things that our statesmen should be inviting us to make orderly arrangements with regard to trade covering half the globe, while we are in a condition of chaos so far as the trade of this little island is concerned.

To take a concrete example, let us suppose that some American trade has secured too much of a foothold in the Australian market. It is, therefore, proposed to make some arrangements for tariffs, or shipping rates or subsidies, in order to divert that trade within the Empire. Such arrangements as these are definitely suggested by leading statesmen. It will be seen at once that any such scheme cannot be carried out with the maximum success until the home industry concerned is so organised as to be in a position to express an opinion and give expert advice upon the matter.

We have avoided any reference to retail organisations. This is a subject by itself, yet very closely related to that of manufacturing organisations. The principles underlying both are the same. It is obvious that if the State were to set up a system of Statutory Trade Councils, that system would have to embrace every form of trading, manufacturing, wholesaling and retailing. The retail associations that would grow up in this way would constitute a very useful check upon manufacturing associations.

Then there is a whole series of professional and semi-professional associations. It will be seen in the recommendations set out in our last chapter that we ask for a trading franchise, which must, of course, be also a professional franchise. Every man is to have a vote according to his trade. In this way, whatever may be the form of each man's activities he will secure a right to a vote in some statutory association. The system must be uni-

versal in its application, and it would have the effect of making not only trade unions and trade associations, but retail bodies and professional societies, absolutely representative in their character.

It would cover, for example, Banking, and would give us an official Bankers' Council with statutory obligation to provide the nation with such banking facilities as were required, and would remove the need for the Government to dabble in banking in the way that it has recently done with the British Trade Corporation, a very necessary and useful institution of that half-baked variety to which we seem to be committed in this country. The mere statement of the fact that it is to have a capital of ten millions, that it must not commence business until at least £250,000 has been actually paid up, is quite sufficient to show how inadequate it is to deal with the vast needs of the future development of British industry.

There is another great subject that should be explored did space permit. Exhibitions and advertising, when we come to deal with whole trades, assume an importance that has not been previously realised. The duties of the nation in the matter of foreign exhibitions was recognised in a small way by the establishment of the Exhibitions Branch of the Board of Trade. Under a Minister of Commerce, supported by the numerous Trade Councils, the British nation could go out into the world with exhibitions worthy of British industry.

It is useless to speculate how much better we should have been prepared for war had trade been

organised before 1914. There can be little doubt that our enemies have obtained great advantages over us from the facility with which they were able to summon to their aid whole industries, and use, instead of improvised Directors and Controllers, the trained officers of German cartels for national purposes.

CHAPTER XX.

A TRADE ELECTION.

It is always very difficult to foretell exactly what the results of a new scheme may be, and it is more than usually difficult to prophesy when the subject is connected with trade and industry, markets and futures. My contention is that the interest in a trade which would be created by a statutory power like the proposed Trade Council, and the bringing together of the leaders of that trade for mutual discussion and common action, must lead to betterment and progress. But there is at least one detail in my proposals about which one can prophesy without much fear of error and with a very fair amount of certainty.

It is suggested that each trade should be provided with a statutory Council elected like our local authorities and holding office for a period of, say, three years. This Council would be elected by the various trade associations and trade unions interested in one industry. The triennial election of the Trade Council would focus all the many questions affecting the trade and give an opportunity to everybody with views on the development or betterment of that trade to come into the open and have his schemes

discussed. The mere fact of holding an election in the Furniture Trade would bring out every idea for improvement and progress, and would cause a general discussion of trading problems which must have a powerful influence for good upon the trade as a whole and each individual member of it.

We therefore propose to indulge in a little prophecy, and endeavour to describe the proceedings at an election of the Furniture Trade Council.

We will imagine that every furniture man is a registered voter for this purpose, and that the Furniture Trade Council has been in existence for a period of three years, and that we are now engaged upon the second triennial election to that body. In order to make the prophecy more complete in detail, we will assume that the trade franchise and the system of election have been settled on the following lines.

Every furniture man has the right of a voting membership of one of the trade associations or trade unions. We will assume that there are fifty-nine seats on the Furniture Trade Council, this number of fifty-nine having been agreed as convenient in order to provide sufficient members to undertake all the numerous Committee duties that fall within the scope of the Council. Of these fifty-nine members, twenty-four are delegates from trade associations, twenty-four are delegates from trade unions, and the balance of eleven are aldermen elected by the Council on the nomination of various authorities: two are men of science nominated by the Industrial and Scientific Research Depart-

ment; two are educational experts nominated by the Board of Education; one is a financial expert nominated by the Bankers' Trade Council. A legal expert from the Law Society, a statistical expert from the Board of Trade, and a health expert from the Ministry of Health complete what may be described as the official element in the Council. There are also a Deputy-Chairman and a Vice-Chairman elected by the Council on the nomination of the Ministry of Commerce, and a President, who is elected by the whole body of Councillors and Aldermen.

The twenty-four delegates from trade associations are elected:—Fourteen by the National Wholesale Furniture Manufacturers' Association: six by the Furnishers' Chamber of Trade: two by the Furnishing Section of the Chamber of Commerce; two by the Cabinet Trades' Federation: these being the proportions due to those bodies reckoned by the strength of their respective membership. The twenty-four delegates from trade unions are elected in a similar way by the various unions interested in the furniture trade, the numbers being allocated in proportion to the strength of membership.

This Council has, then, been working for a period of three years, and having completed its statutory term, has to seek the suffrages of its constituents.

In order thoroughly to appreciate exactly what will now happen, the reader should take an opportunity of inspecting the post bag of a Member of Parliament for, say, three consecutive mornings. He will then be in a better position to understand

the full significance of the introduction of a system of election into an industry like the Furniture Trade. Many hundreds of tons of literature which is now delivered annually to Members of Parliament and candidates for Parliament would be diverted, and delivered instead to members and candidates for the various Trade Councils.

A great saving and a great improvement would be introduced merely in this way. There are many hundreds of societies with excellent objects who have no means of carrying those objects into effect except by the almost useless method of worrying Members of Parliament about them. Seeing that most of these subjects are of no interest to Members of Parliament, or at least that Members of Parliament have no interest in them and understand little or nothing about them, the waste of effort in good causes in this way alone is enormous. All these propagandists will now be able to approach the right people in the numerous trade elections that will be held. When the candidate for Council honours in the Furniture Trade opens his post the morning after nomination, he will find something like the following.

The Society for the Introduction of the Metric or Decimal System will send him specimens of their literature and invite him to pledge himself to an alteration of those mediæval methods which, according to their view, hamper our progress in foreign markets. There will be some interesting light reading to keep the candidate busy for hours, entering deeply into arithmetical matters which will

probably be quite beyond his range. A little further down in his post bag he will find another letter from another Society who will tell him that the British system of weights and measures is based on the measurements of the earth and the Pyramids, that it has in fact divine origin, and that no vandal must be allowed to interfere with it. It will be pointed out that the cost of the alteration would be enormous, that it would undermine the whole of our industrial structure, and that no benefit could possibly accrue.

The Union of Clerks and Shop Assistants will then seek the attention of the Trade Council candidate, and will ask for permission to wait upon him in deputation in order to explain their objection to the system prevailing in the furniture trade in the north, and to ask him whether he will pledge himself to vote for the universal application of the London system to the whole of the trade. If he is prepared to take that view, the Union of Clerks and Shop Assistants will pledge themselves to support his candidature. If not, he will be threatened with the dire penalty of being published in their black list.

The Incorporated Society of Secretaries will call attention to the prevalence in the furniture trade of the practice of employing clerks without qualifications as secretaries of limited companies, and demand action by the Council.

The Early Closing Association will point out that the furniture trade is one of the worst offenders in the matter of shop hours, and that they have already secured an undertaking from the Drapery Trade

Council that if the Furniture Trade Council will enact the closing of retail establishments half an hour earlier on Wednesdays, the Drapery Trade Council will follow suit. As the two trades cater for the public in kindred ways, uniformity of action between them is essential.

The Workers' Educational Association will send a really big parcel of literature and will call the attention of the candidate to the very little that is done by the Furniture Trade Council in the way of endowment of exhibitions and scholarships. If the candidate will sign the enclosed form and undertake to support the aims and objects of the Workers' Educational Association, that body will in return print and circulate to the whole of the electorate special literature inviting support to his candidature.

A communication will next be received from the Shipping Trade Council, which will ask the candidate to express his views as to action which they propose to take in order to bring the Railway Companies to heel in connection with through bookings for small consignments via the Panama Canal.

The Home Rule for India League will also write to the candidate and send him a lengthy pamphlet, entitled "India's Appeal to Canada," pointing out that the furniture trade in Canada by means of the importation of Hindu labour is securing an advantage at the expense of the furniture trade in other parts of the Empire, and inflicting injustice and wrong upon India. The candidate will, therefore, be invited to use his influence if elected to the Furni-

ture Trade Council, to bring the Canadian furniture people to reason in this important matter.

To the ordinary reader, this weary catalogue of a single morning's post received by the candidate for the Furniture Trade Council may seem fantastic, but those who have any experience of the correspondence of a public man will agree that the description is not only true, but that the nature and variety of the subject matter are understated and underestimated.

So far we have merely dealt with general public questions, many of them of great importance and upon which these Trade Councils may have a very direct and practical influence. If, however, Trade Councils were to be established merely in order to relieve Members of Parliament of the attentions of these numerous excellent societies, little could be said in support of them.

The candidate for the Furniture Trade Council will, of course, have his life worried out of him by people with ideas, schemes, and grievances in connection with the trade itself. A single morning's postal communications of the candidate under discussion will, in addition to the general matter mentioned above, be something like the following.

The Wycombe Chair Makers will write to call attention to the absurdly antiquated samples of furniture installed at Woolwich by the War Office, and the stupidity of that body in insisting upon present-day supplies being made to out-of-date patterns. They will point out that if the War

Office would only take advantage of modern methods of manufacture and instal machine-made samples and invite tenders for machine-made goods, a lot of expense would be saved to the nation. The candidate will be asked whether he will pledge himself to agitate through the Trade Council and the Ministry of Commerce for an alteration in the procedure of the War Office.

The Furnishing Trades' Benevolent Association will write, pointing out that the income of the Charity is altogether inadequate to deal with the demand for pensions and places in the Orphanage, and suggesting that the F.T.C. should be empowered to make a grant from public funds of £2,000 a year to form a fixed income which would enable them to carry on their work with a greater degree of security and success. The Benevolent Association would offer the nomination of six places on their Executive Committee in return for this grant, and invite the candidate to move in the matter in the new Council.

The Midland Committee will write to call attention to the abuses which exist in consequence of the practice that has grown up of builders undertaking cabinet work, and enclose a number of rules which they suggest should be adopted, defining the limits of the activities of builders in interior woodwork.

The Retail Section of the Furnishers' Chamber of Trade will send to the candidate a manifesto objecting to the practice adopted by certain manufacturers of selling surplus stocks through auction sales, and asking the Trade Council to legislate on the matter.

A communication from Mr. S. J. Waring will be the next to be opened, in which he will announce his intention of organising a great national campaign on the subject of art and economy. Mr. Waring will point out how the union of art and economy would bring happiness to the homes of the million, while incidentally benefiting the furniture trade. He will suggest that the Furniture Trade Council should adopt the subject and undertake this great work in its official capacity, his theory being that if the public interest could be aroused to a due sense of the importance of surrounding each citizen with things of beauty, the moral and intellectual tone of the nation would be greatly improved.

The Design and Industries' Association will ask the candidate to agree with them that most of the furniture which is made violates all artistic principles, and they will also demonstrate that a simplification of design would not only add to artistic values but reduce costs of manufacture. They, therefore, ask for the right to nominate three aldermen on the new Trade Council to promote these objects.

The Society of Polishers will address to the candidate a manifesto asking for a re-arrangement of the constitution of the Workshop Committees in the factories of the trade, pointing out that polishers in proportion to their importance and numerical strength, are not properly represented on these Committees.

The Chair Makers' Union will ask the candidate to support a recommendation that the trade should

adopt the Unemployment Section of the Insurance Act. The Carvers' Society, on the other hand, will send a strong protest, threatening to vote against the candidate unless he will undertake to oppose by every means in his power the imposition of Unemployment Insurance upon the Furniture Trade.

There will then be a whole series of communications from interested parties on the never ending subject of railway rates, and each will send remarkable specimens of inequalities and call for emendations in the classification of different articles.

Next there will be a dozen or so letters and memoranda from people interested in alterations in the tariff, either here or in the Colonies or in foreign countries.

An enthusiast will write and invite the candidate's attention to a scheme for the establishment of a co-operative insurance office within the furniture trade, and will give figures to show what large sums are annually paid by this trade for the simple purpose of swelling the dividends of Fire Insurance Companies.

The candidate will next be invited to devote his attention to the intricate question of Profit-Sharing in its application to furniture manufacture.

The Society for the Promotion of Public Health will circularise the candidate and give him information and figures on the subject of lung trouble in the bedding department of the furniture trade, and ask him to support the regulations which they suggest for the elimination of this evil.

There will then be communications from the Hire Traders' Protection Association, seeking the influence of the Furniture Trade Council to amend the law of distraint, so that they may the better be able to enforce the payment of instalments under hire purchase agreements. And to balance these will be letters from those who take the view that purchase on the instalment plan is an immoral proceeding, and that the Furniture Trade Council ought to use its powers to get rid of it.

If the reader by this time is not thoroughly weary of the catalogue, there is a great deal more to go through before we have exhausted the morning's post of the candidate for election to the Furniture Trade Council. We have so far dealt with two sets of subjects covering questions that are at present before the public and the trade. The first are matters of general public interest: the second matters of more particular trade interest. But there is still a third batch of subjects which have only come into the region of practical politics since the establishment of the Furniture Trade Council, for, be it remembered, we are now discussing the second triennial election of that body.

The candidate will, therefore, have to withstand a terrific bombardment from folk who are suffering under a sense of grievance from the actions of the previous Council, and those who are full of new schemes for the betterment and advancement of the industry. The next batch of letters will therefore contain communications of the following kind.

The Gloucester Committee will call attention to the inadequacy of the Bristol University's technical education in its application to furniture, and point out how badly handicapped is the West of England in this respect as compared with Yorkshire and Lancashire, the technical schools under the Manchester, Leeds, and Sheffield Universities being, in each case, far superior to those installed at Bristol. The candidate will be required to pledge himself to bring the subject before the Education Committee of the F.T.C., and not rest until that Committee has persuaded the Education Officer and the Ministry of Commerce to move in the matter.

A Sheffield elector will point out that the instructor in Cabinet Making at the local Technical School, although he holds a lot of South Kensington certificates, is not a practical man, has never been at the bench, and is consequently not fitted for the post. The candidate will be urged to see that all such appointments are given to men of actual experience.

Some bright brain will then unfold to the candidate a scheme for the co-operative use of railway trucks, framed on Mr. Sidney Webb's well-known plan for reducing the expenses on the transport of coal, while another expert will demand the establishment of a Furniture Trade Motor Service, pointing out that in this way a special type of vehicle suited to the peculiar requirements of furniture could be introduced, and much expense in packing and breakages thus avoided.

But the serious part of the candidate's work will

begin when he is invited to inquire into the delinquencies of the Furniture Trade Commissioner in Egypt, delinquencies which are proved by the fact that the trade's exports to Egypt are only one-third in value of those to Nigeria. This poor result will be attributed to the fact that the Egyptian Commissioner was appointed without due care, that his previous experience and training did not fit him for the job, and a change should therefore be made.

An export enthusiast will call attention to the utter inadequacy of the State grant of 2s. 6d. per £100 which was secured by the late Council for the encouragement of export. He will point out that this sum only produces £1,500 per annum, and that that amount of money requires multiplying many times in order to provide a sufficiently large and expert staff to look after the interests of the trade in foreign markets. He will, therefore, suggest that the Treasury should be approached with a view to raising the grant to 3s. 6d. per £100, and that a levy should be made upon the trade for a further 3s. 6d. per £100, so that the Council might have at least £4,000 or £5,000 a year to spend in propaganda work abroad.

Another communication, from North of the Tweed, will complain of the unfair allotment of space in the Travelling Exhibition of Furniture Samples which the F.T.C. had sent round the world, and demand that in future in arrangements of this kind space should be divided on a territorial basis instead of a capital basis. Under such a system of

division Scotland would secure one-fifth of the available accommodation instead of only one-seventh which was allotted to it under the capital method.

A manufacturer in Manchester will object to the arrangements made by the Furniture Trade Council for a subsidy to the Central Industrial Research Institution, and insist that the Furniture Trade is of sufficient importance to warrant a research staff and building of its own, and point out the additional expense thus incurred would be more than rewarded by the benefits that would accrue to the industry.

Another highly technical and controversial matter to which the candidate will have to give his attention will be the Secondary Education scheme now in operation, under which youths from fourteen to eighteen are compelled to attend a technical school at specified times. The instruction given, the hours arranged, the instructors employed, and many kindred matters will all come under review.

Innumerable arguments will next be put forward for an emendation of the official costing system, and the candidate will be invited to acquaint himself with figures to prove that the official estimate of warehouse charges at 20 per cent. is far too high or far too low, while $7\frac{1}{2}$ per cent. for overhead charges is out of all reason.

To exhaust the post of the candidate we should have to wade through a great many more letters. One more only must be mentioned, which comes from the National Standardisation Committee, offering the candidate their support if he will move

for the appointment of a Standardisation Committee of the Furniture Trade Council, and pointing out how the adoption of the principles which have saved the British Engineering Industry would also tend to great economies and greater efficiency in the manufacture of furniture.

This list speaks for itself. To the reader who is not deeply interested in the progress of industry it may appear to be composed of a lot of minor matters, but to any experienced manufacturing man who will read it with the necessary amount of imagination, it will open up vast possibilities, possibilities which cannot be realised until we find some way of making the study of the furniture trade and every other trade a matter of necessity to those concerned in it.

The effect of such an election campaign as we have described would be to decentralise all sorts of important questions, and bring them before the attention of men who have the experience and the power to deal with them. But it would do a great deal more than that. It would awaken general interest in the welfare of the furniture trade. It would teach every member of that trade a great deal about it of which he was not previously aware. It would turn every furniture man from an amateur into an expert, because it must never be forgotten that under the individualistic system we are all of us amateurs. We are struggling on with our particular branch of business with the advantage of such experience as we have been able to pick up within the four walls of our own shop, but we have never

had the advantage of full discussion of all our problems by all those engaged in a similar way.

The introduction of the franchise and of a system of election to Trade Councils will have another very important, indeed, a revolutionary, effect. It will be found that the men elected to these Councils will not in most cases be the same persons who now occupy the seats on self-appointed and non-representative bodies of trade associations. As soon as the trade association is endowed with real powers, powers to do good or to do harm, as soon as it is recognised as an authority by the Government, then the great body of traders who have hitherto stood aloof from the association movement will begin to take an interest in it. The serious men in every trade, the men whose lives are devoted to business, will come out into the open, and most of them have far superior claims to positions in the trade authority than the amateurs to whom the representation of trade is very largely left through voluntary associations. The best men in industry have no time to waste, and therefore refuse to attend association meetings where serious business cannot be conducted. It may thus transpire that the views which have been so loudly proclaimed by self-appointed leaders of industry with platform and other ambitions, are not the views of industry at all.

The very existence of a Furniture Trade Council with a Furniture Trade electorate at the back of it would bring a vigour, life, and power to the industry that it could not secure by any other means.

CHAPTER XXI.

RECOMMENDATIONS.

IN my introductory chapter I outlined a system of statutory Trade Councils working under a Minister of Commerce, which seems to me to offer a solution of most of our industrial problems. Having endeavoured to show in a cursory way the need for these bodies, and having pointed out a few of the many fields which are open to their activities, it now remains to set out the suggested organisation rather more definitely and in greater detail.

It would be idle to pretend that the following scheme is not full of points which will require much discussion. It must, therefore, be regarded as a first attempt at a working plan, and nothing more.

A. *A Trade Franchise.*

The basis upon which the whole scheme rests is the introduction of the representative principle into trade, and this involves the establishment of a trade franchise. The exact form that this franchise would take, the exact qualifications that would be necessary to it, and its final working

details, must be matter for fuller consideration and debate. But the following rough suggestions will at least show that the idea is not unworkable.

I would open out the existing trade associations and trade unions in much the same way that the Friendly Societies were opened out by the Insurance Act; and I would give to every man and woman employed in an industry the right to a voting membership of one or other of these bodies. It is obviously impossible to compel a trader to join his trade association, and it is equally impossible to compel a trade association to admit an individual to full membership. The association or the union must have the right of selecting its own members for its own ordinary purposes, but just as the Insurance Act has multiplied the members of the Friendly Societies without affecting the rights and interests of the original members, so these trade associations and unions might have put upon them the obligation to admit to some form of limited membership any qualified individual who applied. These associations and unions would thus secure the status of Approved Societies and would become Electoral Colleges for the Trade Councils. The associations and unions would then become truly representative, and when required the real views of an industry could be ascertained through them.

All sorts of difficulties will arise in the settlement of this suggested franchise, such questions as the

right of a limited company to a vote, the position of the casual labourer, the extension of the vote to unskilled as well as skilled workers, the difficulty of the man who is a builder's labourer one day and a hop-picker the next. But these are all details, which are by no means impossible of adjustment. In any case, the trade franchise can have no finality about it. The first arrangement is sure to fail to meet with everybody's approval, and as industry alters and conditions change, so there will be a constant need for adjustment of the qualification for the vote.

When the Trade Council was properly established, the unions and associations would still have much work left to them. In the first place, they would each become a sort of party caucus of the Trade Council, but they would, in addition, act as the link between the individual trader and the Council. Each Trade Councillor would be responsible to his association or his union, and would probably have to answer to the Executive for his actions or his inactivities.

B. The Trade Council.

I have continually referred throughout this book to the need for Trade Councils, and the question arises as to how they are to be brought into being. It is obvious that this can only be accomplished by the Government.

The necessary Act of Parliament establishing the Ministry of Commerce and the Trade Councils

would probably be, in the first place, a permissive Act.

I would give to any association, society, or union the right to apply to the Minister of Commerce to have its trade brought within the scheme and a Trade Council constituted. On receipt of such an application, the Minister of Commerce would hear the case, and if he were satisfied that the applicants were of sufficient standing, he would advertise his intention to set up a Statutory Trade Council in that industry.

Every other union or society having interests which would thus be concerned, would then have the opportunity of becoming Approved Societies for the purposes of the election of the proposed Trade Council. The Minister of Commerce would then adjust the interests of each of these societies, giving to them voting power in proportion to the strength of their membership. The voting power would be divided into halves, one for capital and the other for labour, and would be distributed between the employers' associations and the labour unions in their proper proportions. The trade would thus become a *recognised* industry in much the same way that a parish becomes a borough or a borough a city.

Having adjusted all the interests in the way described, the Minister of Commerce would then appoint returning officers to direct the election of the first Trade Council.

It will be noticed that one great difficulty has

been overcome by these processes in connection with the selection of trades. For in this way a sort of natural selection would develop, and the resulting recognised trades would in all probability make a very different list from any schedule which the authorities might compile of our leading industries. For instance, Cotton might have one or two Trade Councils. The cotton industry might come to the conclusion that it could work better with one, or the spinning and weaving branches might prefer to work independently. Engineering might have twenty Trade Councils, and, indeed, it is likely that something of the kind would happen. These difficulties which have baffled so many enthusiasts in the federation of so varied an industry would be overcome. As new trades arose new Trade Councils would become necessary, and as the character of trades altered so Trade Councils might be amalgamated or reconstituted.

C. The Minister of Commerce.

In the foregoing it will be obvious that there is a great deal of work which would fall upon the shoulders of the Minister of Commerce merely in the regularisation of all these proceedings. The greatest objection to the appointment of a Minister of Commerce would be overcome if his appointment were accompanied with the setting up of numerous Trade Councils. There would then be no fear that the Minister might take upon himself to interfere with industry without proper advice. We should

be free from any risk of the repetition of our war-time experiences, or of the serious damage resulting to trade and commerce through the operations of Government Departments.

The work of the Minister of Commerce would be to set up Trade Councils, to regularise their proceedings, to supervise the registration for the trade franchise, and to give effect to the recommendations of Trade Councils and bring those recommendations before the notice of other Departments and other Governments. He would not be expected to initiate trading schemes, or to touch the details of trading matters at all.

The scheme would bring about another great improvement in our present arrangements. It would clearly define the spheres and activities of the official and of the business man. The official would have ample scope for the exercise of all his abilities at the Ministry of Commerce on work which he and he alone could do, while the business man would be relegated to the Trade Council, where his knowledge and experience would have every opportunity for useful work.

The Ministry of Commerce would, as I have suggested in "Trade as a Science," divide itself into six or seven departments, dealing with the main branches of the work of the Trade Councils. There would have to be a number of Under Secretaries, handling such specialised subjects as education, research, export, statistics, finance, welfare, and exhibitions. Each of these departments

would endeavour to establish in each Trade Council corresponding departments, so that every industry would possess a perfect organisation for handling these great subjects. In this way the following situation would arise in connection with, say, Export.

There would be at the Ministry of Commerce an Export Department and an Export Secretary, whose duties would be to co-ordinate the efforts of the Export Officers of different trades. There would be an Export Committee and an Export Officer for every industry, and each industry would be able to deal with the problems of exportation in a way that would overcome the special difficulties of each trade. The efforts of all these Export Officers would be co-ordinated and regulated by the Central Department at the Ministry of Commerce. We should remove the greatest weakness of our present attempts to assist export, the weakness which arises from dealing with all trades at once.

D. Officials of the Trade Council.

It is obvious that the scheme which we are considering involves the appointment of great numbers of officials. The suggestion is that every trade would require a complete organisation of its own, with officials at home and officials abroad. There are very few British industries which are not worth the undivided attention of an expert selling staff in every market abroad. In this way we should have in the Argentine fifty different staffs of trade experts looking after the interests of fifty different

trades. It does not follow that there would be more men in the Argentine on behalf of British trade than there are at the moment, but instead of the men who are there being in direct opposition to one another, exhibiting the dirty linen of the English competitive system to the gaze of the Argentine buyer, we should have the work so re-arranged that each man would be able to speak on behalf of the whole of the industry in which he was interested.

There would be no fear of these positions assuming the character of permanent public appointments, or of these officials acquiring the habits of the employee in a Government Department. They would all be commercial appointments; they would be made by Trade Councils composed of experts; they need have no more fixity of tenure or continuity about them than the ordinary commercial appointment of to-day. In fact, the type of man who would apply for most of these positions would probably not consent to, or desire, arrangements which had any finality about them. The position of representative in Chili for the Boot Trade Council would only be accepted by some man of high commercial ambition, and would probably be regarded by him as a stepping-stone to something else. He would probably require some arrangement for payment by results, and, indeed, his emolument in any case would have to bear some relation to the success of his efforts. The higher grade of business man, to whom all these posts

would appeal, is not prepared to be bound, and is not looking for a pension, and there is, therefore, no reason why any of these offices under Trade Councils should be treated in the same way as a position in the Treasury or the Post Office.

E. Finance.

The Trade Council will, of course, require money. This is a subject which I have purposely left unexplored. It will be seen that in principle there is no reason why the Government should not provide the whole of the money that is necessary for the running of a Trade Council. If that Council is representative of the whole industry, if its object is the welfare of all engaged in that industry, if it is charged by the Government with the duty of watching the national interests in so far as they concern that industry, there is a full case for the payment by the Treasury of all its expenses. Indeed, a good many of the expenses which it would direct or control are already paid by the Government. Research, education, statistics in the shape of Board of Trade Returns, and other similar matters which would come under the control of the Trade Council, are already provided with public funds. But here, again, new conditions would arise, and it would in all probability be found that an industry would not consent to be entirely dependent upon the Minister of Commerce for the funds which its Council would control.

I am inclined to think that finance would not

in any case prove a barrier to success in these matters. Business men are never unwilling to find the money for any good scheme.

In conclusion, I submit the foregoing suggestions as a broad, rough basis for the solution of the great problem of Industrial Reconstruction. They are obviously capable of improvement and indefinite amplification, but they represent the lines along which we must travel. I can at least claim that my scheme, in principle, if not in detail, overcomes many of the difficulties ahead of us.

- (1) It deals with the task in a fundamental way, and is not a patchwork or temporary expedient.
- (2) It puts the politician, the official, and the business man, each in his proper sphere, and thus avoids the most disastrous of our war-time blunders—the mixing of the functions of these three classes.
- (3) It renders unnecessary great central Government trading schemes which, however vast, must always be insignificant in relation to the trade of our Empire.
- (4) It repairs the inadequacies of our individualistic system without destroying its qualities.
- (5) It ensures a close study by experts of every one of our productive trades,

- each trade as a whole, and provides for its fullest development.
- (6) It gives an official status to trade, and relieves it of the social stigma which has been such a handicap.
 - (7) It enlists the sympathies and energies of labour on behalf of the nation's trade.
 - (8) It removes the feeling of inequality of status, which is the main cause of labour unrest.
 - (9) It places us in a position to compete with other industrial nations.
 - (10) It is the embodiment of all that is best in the German and American industrial scheme, and avoids the abuses of Cartels and Trusts.
 - (11) It gives the maximum of opportunity for individual effort, and provides a chance for every master and workman to share in the nation's responsibilities.
 - (12) It makes our industries a part of our Constitution.

I would not dare to make such claims if I were the author of these ideas. But readers will have noticed from the numerous quotations I have given that many brains have thought these questions out, and all that I have done is to endeavour to frame from their deliberations and conclusions a definite and, as it seems to me, a practical policy for British Trade.